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OFFICIAL STATEMENT



# POMERADO HOSPITAL AUTHORITY

San Diego County, California

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**\$16,400,000**

**1978 Refunding Lease Revenue Bonds**

*Pomerado hospital authority  
Hospitals -- 20 Calif -- San Diego  
Bonds -- " -- San Diego co.  
San Diego co. -- even bonds  
" " intro ad -- " "*

Bids to be received and opened on behalf of the Authority  
at 2:00 P.M., Monday, January 23, 1978, at the offices of  
O'Melveny & Myers, Bond Counsel, 36th Floor Conference Room,  
611 West Sixth Street, Los Angeles, California









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## **POMERADO HOSPITAL AUTHORITY**

### **San Diego County, California**

Ida J. Stadler, *Chairman*

Bill Ross

Edward H. Lyon

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## **BOARD OF SUPERVISORS OF SAN DIEGO COUNTY**

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Lucille V. Moore, *Vice-Chairman*

Thomas Hamilton

Roger Hedgecock

Lee Taylor

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## **NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT BOARD OF DIRECTORS**

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Clyde G. Bassett, M.D., *Secretary*

David Littauer, M.D.

Bill Ross, *Treasurer*

Ida J. Stadler

William E. Hutchings

Doris R. Thurston, R.N.

Thomas H. Livingstone, *Executive Director*

Theodore E. Kleiter, *Administrator—Palomar Memorial Hospital*

A. Frank Radbourne, *Administrator—Pomerado Hospital*

Jennings, Engstrand & Henrikson, *San Diego*

*General Counsel*

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## **SPECIAL SERVICES**

O'Melveny & Myers, *Los Angeles*

*Bond Counsel*

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco*

*Financing Consultants*

Bank of America N.T. & S.A., *Los Angeles and San Francisco*

*Trustee and Paying Agent*

Bankers Trust Co., *New York City*

Continental Illinois National Bank & Trust Co., *Chicago*

*Paying Agents*

**THE DATE OF THIS OFFICIAL STATEMENT IS DECEMBER 12, 1977.**

## POMERADO HOSPITAL AUTHORITY

### TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on and buyers of \$16,400,000 1978 Refunding Lease Revenue Bonds, authorized and issued for the purpose of refunding \$14,250,000 of Hospital Facilities Revenue Bonds of the Authority and paying of expenses in connection with bond issuance.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultant to the Pomerado Hospital Authority with regard to the Authority's 1978 Refunding Lease Revenue Bonds. (Such firm will receive compensation from the Authority contingent upon the sale and delivery of the Bonds.) Summaries herein presented of the Resolution of Issuance, Notice Inviting Bids, Joint Exercise of Powers Agreement, Ground Lease, Sublease, the Escrow Agreement and other legal documents, the project, financial and economic data do not purport to be complete, and reference is made to the documents on file in the office of the Secretary of the Authority for further information. Statements which involve estimates or opinions, whether or not expressly so described herein, are intended solely as such and are not to be construed as factual reports.

This Official Statement does not constitute a contract with the buyers or holders, from time to time, of the Bonds. The Resolution of Issuance, which does constitute such a contract, is available to any prospective bidder on request from said Secretary.

The legal opinion, approving the validity of the Bonds, will be furnished by O'Melveny & Myers, Los Angeles, California, Bond Counsel, (see "Legal Opinion"). Bond Counsel's participation in the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions as set forth herein under the captions "The Bonds" and "The Authority."

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The execution and distribution of this Official Statement have been duly authorized by the Authority.

POMERADO HOSPITAL AUTHORITY

IDA J. STADLER, *Chairman*



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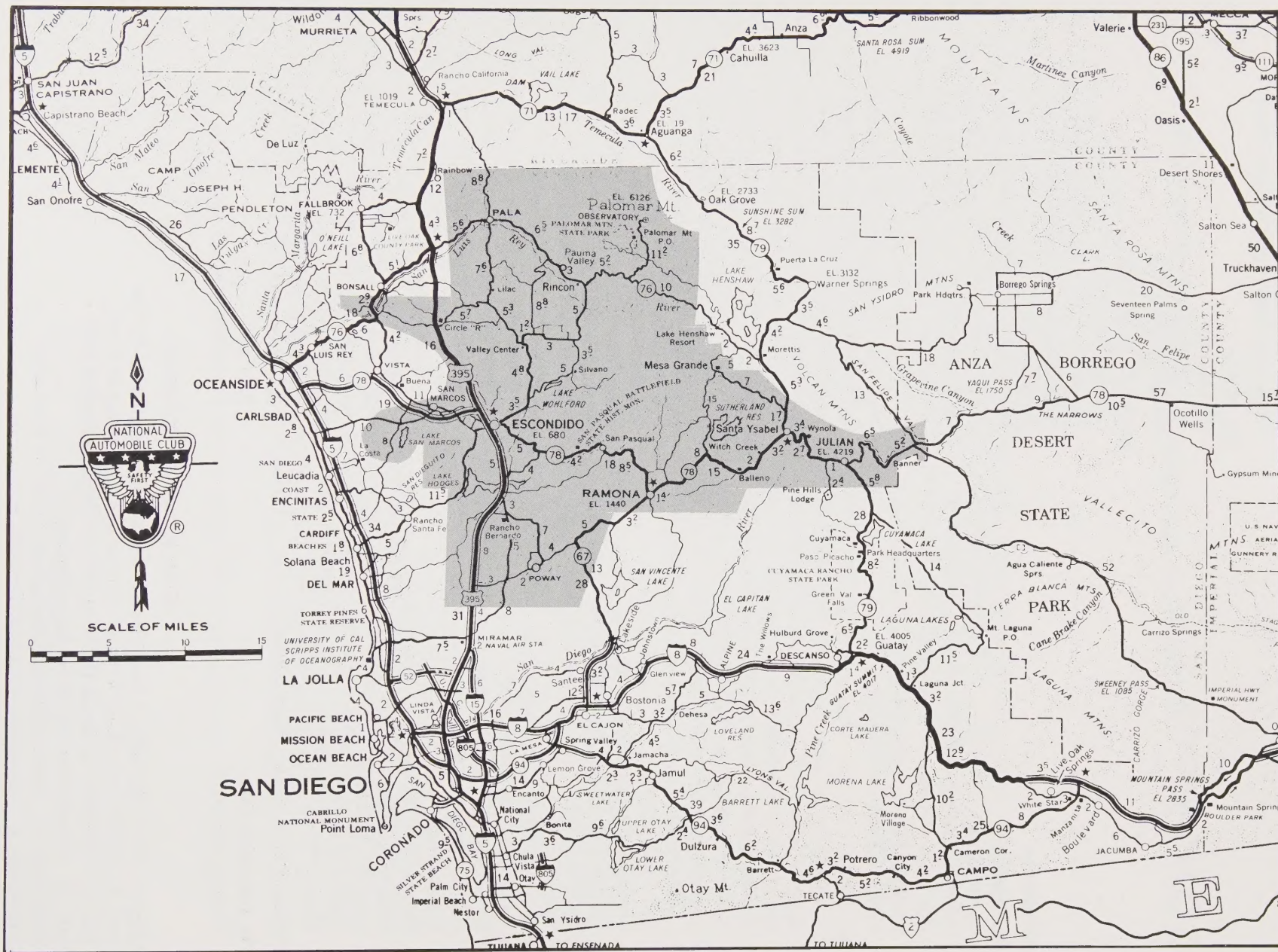
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Vicinity Map of San Diego County with the Northern San Diego County Hospital District indicated by the shaded area.

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# INTRODUCTION

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The Pomerado Hospital Authority (the "Authority") was formed under a Joint Exercise of Powers Agreement between the Northern San Diego County Hospital District (the "District") and the County of San Diego (the "County") dated June 25, 1974 to finance the construction of a new, second hospital to serve the residents of the District.

The new facility, named Pomerado Hospital, was financed in part by the Authority's issuance of \$14,250,000 of lease revenue bonds dated December 1, 1974 (the "1974 Bonds"). The facility was completed with the District taking occupancy in April 1977. Actual operations commenced in June 1977.

The hospital is leased to the Northern San Diego County Hospital District pursuant to the Pomerado Hospital Facilities Sublease dated December 1, 1974 (the "Sublease"). The Sublease provides for the District to pay for the use and occupancy of the project at a semiannual base rental of \$656,640 (which began on July 1, 1977) which is sufficient to pay the principal and interest coming due on the 1974 Bonds. The Sublease also provides for the District to pay an additional rental to meet certain identified operating expenses of the Authority in conjunction with the project.

Under the Sublease, the District covenants to include the total rental in its budget each year and to appropriate the necessary money for the rental payments.

At the time of sale of the 1974 revenue bonds, interest rates were high and the effective borrowing cost to the Authority was 7.9999%. By full defeasance of the 1974 Bonds with proceeds from the sale of the 1978 Refunding Lease Revenue Bonds currently offered, in view of present interest rates, significant interest savings will accrue to the Authority, resulting in a reduction in the semiannual base rental payments by the District.

A total of \$16,400,000 of 1978 Refunding Lease Revenue Bonds (the "1978 Bonds") are to be issued

which will provide funds to retire the 1974 Bonds (\$14,250,000), pay the net interest to the first call date (\$1,730,625), pay the call premium (\$240,775) on June 1, 1988 and the costs of issuance. Proceeds received from the sale of the 1978 Bonds will be deposited in the Escrow Fund, a special trust fund created from specified proceeds of the 1978 Bonds upon delivery thereof and will be used to purchase United States Treasury Obligations-State and Local Government Series which will be escrowed and used to pay the 1974 Bond requirements (from June 1, 1978 through June 1, 1988).

The proceeds of the 1978 Bonds will be deposited in the Escrow Fund in an amount sufficient, together with interest to be earned, to be used to service the 1974 Bonds through June 1, 1988 and redeem the outstanding 1974 Bonds on June 1, 1988. The balance of the proceeds will be placed in the Refunding Expense Fund and used to pay the costs of issuance of the 1978 Bonds. The 1978 Bonds will be secured by the semiannual rentals payable by the District pursuant to the existing Sublease, as amended.

The Escrow Fund will be held by the Escrow Bank, Bank of America N.T. & S.A. Money in the fund will be invested in United States Treasury Obligations—State and Local Government Series, maturing from June 1, 1978 through June 1, 1988.

Northern San Diego County Hospital District covers approximately 794 square miles in the north-central section of San Diego County. The District serves a population estimated at 218,595 as of January 1977, and includes the incorporated cities of Escondido and San Marcos, part of the City of San Diego and extensive unincorporated areas of San Diego County. In population the District has grown from less than 25,000 at the time of its formation in 1948 to the present 218,595, an increase of almost eight times. During a more recent period, assessed valuations have increased from \$251,304,962 in the 1969/70 fiscal year to \$914,109,167 in 1977/78.

There are two distinct population centers in the District. The first is located in and around the City of Escondido where the District operates the 306-bed Palomar Memorial Hospital, an acute-care facility offering a wide range of medical services.

The second population center in the District is in its southern portion encompassing the rapidly developing areas of Rancho Bernardo, Poway and Los Penasquitos. In June 1977, the District's second acute-care facility, the 130-bed Pomerado Hospital, opened to serve this area.



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# THE AUTHORITY

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## Organization

The Authority exists and acts as a separate public entity and is governed by a three-member governing board appointed by the District, subject to approval by the County. All members now serve four-year overlapping terms. The Authority elects a chairman and vice-chairman annually. The Secretary of the District acts as Secretary of the Authority. The present members of the governing board are:

Ida J. Stadler, Chairman

Pharmacist/Travel Agency Owner

Mrs. Stadler submitted her resignation, effective January 15, 1978. David Littauer, M.D., has been appointed to fill the vacancy, subject to approval by the County Board of Supervisors.

Bill Ross

Insurance Broker

Edward H. Lyon

Department Store Owner

The District's attorney, treasurer and controller, respectively, are ex-officio attorney, treasurer and controller of the Authority. With the District's consent, the Authority may appoint other officers, employees, consultants and independent contractors as may be required.

## Joint Powers Agreement

The Pomerado Hospital Authority was created by a Joint Exercise of Powers Agreement between San Diego County and the Northern San Diego County Hospital District (the "Agreement"). The Agreement was made under provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6500.

The Agreement is dated June 25, 1974, and has a stated term of 50 years, or until payment, or provision for payment, of all Authority revenue bonds has been made, at which time it will terminate automatically.

## Powers and Purposes

The purpose of the Agreement is to provide for the construction and financing of the new 130-bed Pomerado Hospital located in the southern portion of the District.

The Authority has the power to acquire the site for the hospital by lease, to acquire, construct, operate and maintain the facility, to incur debts and obligations which are not debts or obligations of the District or the County, including the issuance of revenue bonds to finance the construction of the hospital or to refund such an issue, and to sue and be sued.

The District contracted for the construction of the hospital facility as agent for the Authority and was reimbursed by the Authority for construction costs from proceeds of the \$14,250,000 1974 Bond issue dated December 1, 1974.

Upon termination of the Agreement, all real and personal property (except surplus money) of the Authority will automatically vest in the District.

## Hospital Facilities Ground Lease

Under the terms of the Ground Lease, dated December 1, 1974, the District leased to the Authority the hospital site owned by the District, as more fully described in exhibits attached to the Ground Lease. Rent for the term for the Ground Lease was \$1 and the Ground Lease will terminate on February 8, 2014, or earlier when all the Authority's bonds have been fully paid and retired. The Authority agrees, upon expiration of the Ground Lease, to surrender the site and that any permanent structures upon the site shall remain and title shall vest in the District, free of any interest of the Authority.

## Hospital Facilities Sublease

Under the Hospital Facilities Sublease, dated December 1, 1974, the Authority leased the site together with the hospital and appurtenant facilities constructed thereon back to the District. The term of the Sublease extends from the date of its execution to February 1, 2014, or until payment, or provision for payment, of all the Authority's bonds has been made.

The Sublease provides that the District will pay to the Trustee for the account of the Authority in advance, semiannual base rentals sufficient to meet the annual revenue bond principal and interest requirements and other obligations of the Authority.



Construction of the Pomerado Hospital was completed on April 14, 1977 and the first full semi-annual rental payment became due July 1, 1977 and was paid.

The semiannual base rental payments were established at \$656,640 (or \$1,313,280 per year). Upon full defeasance of the 1974 Bonds with the proceeds of the 1978 Bonds currently offered, semiannual base rental payments are estimated to be reduced to \$643,000 (or \$1,286,000 per year). However, the actual amounts will be established after the interest rates on the 1978 Bonds have been determined, to provide amounts sufficient to meet actual 1978 Bond debt service requirements.

The District is required to provide for the operation and maintenance of the facilities at no expense to the Authority and to pay to the Authority as additional rent the amount necessary to cover taxes and assessments, if any, to pay insurance premiums, to meet the administrative expenses of the Authority and to maintain a balance of \$2,500 in the Working Capital Fund, to the extent interest earnings and other income of the Authority are insufficient for these purposes.

The Sublease provides for the maintenance by the Authority and the District of policies of insurance for loss or damage to the facilities from fire, lightning, vandalism, and such other perils defined as "extended coverage," public liability and property damage, malpractice insurance and such other insurance as may be required by the Resolution of Issu-

ance for the Bonds. The Sublease will be amended, in connection with the refunding of the 1974 Bonds, to allow the District to provide insurance coverage for public liability, property damage and malpractice through self-insurance programs of the District. In the event of destruction of all or a part of the facilities, the Authority may use the insurance proceeds to rebuild the facilities or to terminate the Sublease and redeem the 1978 Bonds (but only with the consent of the District where the proceeds are sufficient to rebuild). The proceeds of any award in the event of condemnation, unless such condemnation will not impair the use of the facilities, will be used to redeem the 1978 Bonds. Any surplus remaining after redemption of the Bonds or reconstruction of the facilities will be transferred to the District. Rent will not be payable by the District for any period during which the facilities are not usable. However, use and occupancy or rental income insurance will be provided to meet debt service payments for up to two years if the facility is unusable due to fire, lightning and other such perils normally insured under "extended coverage" (including earthquake).

A policy of title insurance with lender's leasehold endorsement insuring the validity of the lease will be obtained prior to the delivery of the 1978 Bonds. The policy will be in the amount of \$16,400,000 and will be expressly enforceable for the benefit of the bondholders. The policy will be written by Land Title Insurance Company, San Diego, a subsidiary of Lawyers Title Insurance Company of Richmond, Virginia.

# THE BONDS

## Authority for Issuance

The Pomerado Hospital Authority 1978 Refunding Lease Revenue Bonds (previously defined as the "1978 Bonds" or the "Bonds") in the principal amount of \$16,400,000 are being issued under provisions of Article 2, Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6540. Issuance of the Bonds is authorized by a resolution of the Authority (the "Resolution") to be adopted January 23, 1978. A copy of the proposed Resolution is included in the basic legal documents which accompany this Official Statement as originally distributed.

## Sale of Bonds

Bids will be received on behalf of the Governing Board of the Authority at 2:00 P.M., Monday, January 23, 1978, at the offices of O'Melveny & Myers, Bond Counsel, 36th floor Conference Room, 611 West Sixth Street, Los Angeles, California, and will be reported to such Governing Board at its meeting to be held later the same day. Details as to the terms of sale are included in the Notice Inviting Bids adopted December 12, 1977, a copy of which accompanies this Official Statement as originally distributed.

## Description of the Bonds

The \$16,400,000 principal amount of Pomerado Hospital Authority 1978 Refunding Lease Revenue Bonds will be dated February 1, 1978 and will be issued in the denomination of \$5,000 each.

Interest will be payable semiannually on August 1 and February 1 of each year. The first interest payment will be due August 1, 1978. Both principal and interest on the bonds are payable at the Corporate Agency Division of the Trustee for the Authority, Bank of America N.T. & S.A. in the cities of Los Angeles or San Francisco, California, or at any other paying agent for the Authority in The City of New York, New York and the City of Chicago, Illinois.

The Bonds will be numbered 1 through 3280 and will mature semiannually on February 1 and August 1 in each of the years in the designated principal amounts as shown below.

Maturity Date	Principal Amount	Maturity Date	Principal Amount
8/1/78 ...	\$290,000	8/1/90 ...	\$315,000
2/1/79 ...	160,000	2/1/91 ...	325,000
8/1/79 ...	165,000	8/1/91 ...	335,000
2/1/80 ...	170,000	2/1/92 ...	345,000
8/1/80 ...	175,000	8/1/92 ...	355,000
2/1/81 ...	180,000	2/1/93 ...	365,000
8/1/81 ...	185,000	8/1/93 ...	375,000
2/1/82 ...	190,000	2/1/94 ...	385,000
8/1/82 ...	195,000	8/1/94 ...	400,000
2/1/83 ...	200,000	2/1/95 ...	415,000
8/1/83 ...	210,000	8/1/95 ...	420,000
2/1/84 ...	215,000	2/1/96 ...	440,000
8/1/84 ...	220,000	8/1/96 ...	445,000
2/1/85 ...	225,000	2/1/97 ...	465,000
8/1/85 ...	235,000	8/1/97 ...	475,000
2/1/86 ...	245,000	2/1/98 ...	490,000
8/1/86 ...	245,000	8/1/98 ...	505,000
2/1/87 ...	260,000	2/1/99 ...	525,000
8/1/87 ...	260,000	8/1/99 ...	535,000
2/1/88 ...	275,000	2/1/00 ...	550,000
8/1/88 ...	280,000	8/1/00 ...	570,000
2/1/89 ...	285,000	2/1/01 ...	585,000
8/1/89 ...	300,000	8/1/01 ...	605,000
2/1/90 ...	305,000	2/1/02 ...	705,000

## Redemption Provisions

Except as described in the following paragraph, Bonds maturing on or before February 1, 1988, a total principal amount of \$4,300,000, are not subject to call or redemption prior to their fixed maturity dates. Bonds maturing on or after August 1, 1988, a total principal amount of \$12,100,000, are subject to call and redemption, at the option of the Authority, as a whole or in part in inverse order of maturity and by lot within a single maturity on February 1, 1988, or on any principal payment date thereafter, upon payment of a redemption price equal to the principal amount with accrued interest to the date of redemption plus a premium of one-fourth of one percent for each year or fraction of a year from the redemption date to the maturity date of the Bonds called for redemption, said premium not to exceed three percent.

In the event of loss of or substantial damage to or condemnation of the Project which renders it



unusable, all or any part of the Bonds may be redeemed on any succeeding interest payment date by payment of the principal amount and accrued interest to the date of redemption, but without premium. If less than all the 1978 Bonds are called, the Treasurer shall call outstanding 1978 Bonds in such manner that approximately equal annual debt service will prevail. 1978 Bonds to be then called in each maturity shall be selected by lot.

## **Notice of Redemption**

Notice of redemption is to be published in a financial newspaper or financial journal as provided in the Resolution. The first publication will be at least 30 days but not more than 60 days prior to the redemption date. The Trustee is required to give written notice to the owners of any fully registered Bonds.

## **Registration**

The Bonds will be issued as coupon bonds and will be exchangeable for fully registered bonds, which will be subject to discharge from registration at the option of the holder subject to such reasonable terms, conditions and charges as provided in the Resolution.

## **Legal Opinion**

The opinion of O'Melveny & Myers, Los Angeles, California, Bond Counsel, attesting to the validity of the Bonds, will be supplied free of charge to the original purchaser of the Bonds. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each Bond without charge to the purchaser.

The statements of law and legal conclusions set forth in this official statement under the headings "The Authority" and "The Bonds" have been reviewed by Bond Counsel. Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation (see section hereof entitled "Tax Exempt Status"). The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Bonds, including this official statement, not mentioned in this paragraph.

## **Tax Exempt Status**

In the opinion of Bond Counsel, interest on the Bonds is exempt from income taxes of the United States of America under present federal income tax laws (except with respect to any bond for any period of time during which such Bond is held by a person who is a substantial user, as defined in Section 103(b)(7) of the Internal Revenue Code of 1954, as amended, of the facilities financed from the proceeds of the Bonds or by a related person as defined in said Section 103(b)(7)), and also exempt from personal income taxes of the State of California under present state income tax laws.

## **Eligibility for National Banks**

A request has been made to the Comptroller of the Currency for a ruling that the Bonds are eligible for purchase, dealing in, underwriting and unlimited holding by national banks. A ruling on the request is expected prior to the date of sale of the Bonds.

## **Eligibility as Security for Public Funds**

The Bonds are eligible to secure deposits of public funds in banks in the State of California.

## **Purpose of Issue**

The \$16,400,000 of 1978 Bonds currently being offered for sale will be used to: (a) retire \$14,250,000 principal amount of the Authority's outstanding Hospital Facilities 1974 Revenue Bonds maturing by their terms on June 1, 1978 through June 1, 2002 and which are subject to call and redemption on and after June 1, 1988; (b) pay the net interest on the outstanding bonds to the first call date (\$1,730,625); (c) pay the redemption premium of \$240,775 and (d) pay the expenses of issuance.

## **Security**

Bond principal and interest coming due each year are payable from revenues of the Authority, which constitute semiannual rental payments by the Northern San Diego County Hospital District for use of the facilities. Under the terms of the Sublease, as long as the District has use and occupancy of the facilities, the District agrees to pay the Authority semiannual fixed base rentals which will be sufficient to pay bond principal and interest (as indicated in preceding sections of this official statement), plus additional rental in an amount sufficient to meet other necessary expenses of the Authority.

The hospital was occupied by the District in April 1977. The first full semiannual rent payment of \$656,640 was due July 1, 1977 and was paid. Upon issuance of the 1978 Bonds, it is estimated that semiannual rent payments can be reduced to \$643,000 (or \$1,286,000 per year). However, the actual rent amounts will be established after the interest rates on the 1978 Bonds have been determined, to provide amounts sufficient to meet the actual 1978 Bonds debt service requirements.

The District has agreed to make appropriations in its annual budget for the amount of all rental payments due under the Sublease. The District plans to derive funds for the total annual lease payments from ad valorem taxes. The District has the power to levy an ad valorem tax of 25 cents per \$100 assessed valuation to meet authorized operating and capital outlay costs (including the lease payments to the Authority) pursuant to its statutory powers and an authorization approved by the electorate on November 6, 1973. A tax of 25 cents per \$100 assessed valuation, based on the actual 1977/78 valuation of the District (\$914,109,167), would, if levied, produce \$2,285,273, or approximately 1.78 times the estimated annual base rental of \$1,286,000.

### **Proposed Property Tax Limitation, Constitutional Amendment**

The Authority has been made aware of a proposed initiative measure entitled "Property Tax Limitation, Initiative, Constitutional Amendment", commonly known as the "Jarvis Initiative," petitions for which have been circulated and filed with the county clerks/registrars of voters of the various counties of the state. As of the date of this official statement it appears that the signatures on said petitions are sufficient in number to qualify the proposal for a place on the ballot at the June 6, 1978, statewide election.

The office of the Attorney General has provided the following summary of the measure:

**PROPERTY TAX LIMITATION, INITIATIVE CONSTITUTIONAL AMENDMENT.** Limits ad valorem taxes on real property to 1% of value except to pay indebtedness previously approved by voters. Establishes 1975/76 assessed valuation as base value of property for tax purposes. Limits annual increases in value. Provides for reassessment after sale, transfer, or construction. Requires  $\frac{2}{3}$  vote of Legislature to enact any change in state

taxes designed to increase revenues. Prohibits imposition by state of new ad valorem, sales, or transaction taxes on real property. Authorizes specified local entities to impose special taxes except ad valorem, sales and transaction taxes on real property. Financial Impact: Would result in the loss of local property tax revenues of \$7 billion to \$8 billion annually and a reduction in state costs of about \$700 million in 1978/79 and \$800 million annually thereafter.

The Authority can neither predict whether or not the Initiative will be approved by the voters nor whether or not the validity of the initiative will, if thereafter challenged, be upheld, in whole or in part, by the courts. However, if approved by the voters, the measure could have a substantial adverse impact on the security of the Bonds in that the present tax rate of the District would almost certainly be reduced and future increases in assessed valuation could be substantially limited, thereby reducing the amount of tax revenues to be received by the District.

### **Disposition of Bond Proceeds**

The Resolution provides that the Trustee will receive the proceeds from sale of the 1978 Bonds and will apply them as follows:

- (1) The accrued interest and premium, if any, shall be placed in the Interest Fund.
- (2) The proceeds shall then be used to acquire direct obligations of the United States of America which will be placed in the Escrow Fund to be used for the purpose of paying principal and interest on the outstanding 1974 Bonds from and including June 1, 1978 to and including June 1, 1988 and to call and redeem all of the 1974 Bonds maturing from June 1, 1989 through June 1, 2002 on the earliest call date (June 1, 1988) and pay the premium applicable thereto. The remainder shall be transferred to the Trustee and placed in the Refunding Expense Fund to pay the costs of issuance of the 1978 Bonds.

### **Creation of Special Funds**

To secure payment of the 1978 Bonds and to provide control over the Bond proceeds, revenues and other funds of the Authority for the benefit of the bondholders, the Resolution provides for the establishment or continuation of the funds as outlined in the tabulation at the top of the next page.



Fund	Source	Use
Escrow Fund (Section 5.02) . . . . .	Bond Proceeds	Held by Escrow Bank for 1974 Bonds principal and interest from June 1, 1978 through June 1, 1988 and then to retire 1974 Bonds maturing June 1, 1989 through June 1, 2002 together with premium.
Refunding Expense Fund (Section 5.02)	Bond Proceeds	To pay issuance expenses of the 1978 Bonds.
Revenue Fund (Section 5.03) . . . . .	District Rental Payments under the Sublease	Transfers to Interest, Retirement and other required funds.
Interest Fund (Section 5.03) . . . . .	Transfers from Revenue Fund	1978 Bond interest.
Retirement Fund (Section 5.03) . . . . .	Transfers from Revenue Fund	1978 Bond principal.
Reserve Fund (Section 5.03) . . . . .	Revenue Fund and transfer from 1974 Bonds Reserve Fund	1978 Bond principal and interest; payment of final maturities on 1978 Bonds.
Working Capital Fund (Section 5.03) . .	Revenue Fund and transfer from 1974 Bonds Working Capital Fund and Additional Rent	Authority's administrative and miscellaneous expense.
Construction Fund (Section 5.04) . . . .	Insurance proceeds, surplus revenues	Repair or rebuild facilities in event of loss or damage.

## Escrow Bank

The Resolution provides that the Bank of America N.T. & S.A. will act as both Escrow Bank and Trustee for the 1978 Bonds. During the period the 1974 Bonds dated December 1, 1974 are outstanding, the bank will receive and hold as Escrow Bank the requisite amount of United States Treasury Obligations-State and Local Government Series, purchased with 1978 Bond proceeds and other funds, if necessary, and pay principal of and interest on the 1974 Bonds as they become due, until the earliest call date (June 1, 1988), at which time the remaining outstanding 1974 Bonds will be retired. The Bank will also act as Paying Agent for the 1978 Bonds.

## Deposit and Application of Revenues

All revenues of the Authority including rent, interest earnings and other income from the project are pledged to the punctual payment of the Bond principal and interest. All revenues will be immediately deposited with the Trustee and be credited to the Revenue Fund, from which they will be transferred to the special funds according to the following order of priority, to be withdrawn only for the purposes of each fund.

1. **Interest Fund**—Commencing July 15, 1978 and on each succeeding January 15 and July 15, the

Trustee will deposit a sum sufficient, together with the balance then on hand, to pay the six months' interest becoming due on the next August 1 and February 1, respectively.

2. **Retirement Fund**—Commencing July 15, 1978 and on each succeeding January 15 and July 15, the Trustee will deposit an amount equal to the principal amount of bonds coming due on the next August 1 and February 1, respectively.
3. **Reserve Fund**—Under terms of the Resolution providing for issuance of the 1974 Revenue Bonds, a bond reserve fund equal to one-half of maximum annual bond service was created from the proceeds of the sale of said bonds and held by the Trustee. Under the terms of the Resolution providing for the issuance of the 1978 Bonds, the Reserve Fund is continued and shall be maintained in an amount equal to one-half of annual base rental (as provided in the Sublease). This fund can be used solely to pay principal and interest on the 1978 Bonds in the event no other funds are available and must be replenished if used; provided, however, that it may be applied toward the retirement of the last outstanding 1978 Bonds.
4. **Working Capital Fund**—Commencing August 2, 1978 and on each February 2 and August 2 thereafter, the Trustee will deposit a sum suf-

ficient, provided all required transfers under Subsections (1), (2) and (3) above have been made, for payment of such items as taxes or assessments, if any, levied upon the project, administrative costs of the Authority, Trustee's fees, insurance premiums, costs of maintenance and operation of the facilities in the event the Authority shall operate the facilities in the event of default by the District and to maintain a minimum balance of \$2,500 in said fund.

Any moneys in the Revenue Fund on July 20, 1979 or on each July 20 thereafter which are in excess of the amounts required to pay principal of and interest on the 1978 Bonds in any succeeding twelve-month period based upon the amount of base rental provided therefor shall be declared surplus and may be, at the direction of the Authority, in whole or in part, applied by the Trustee to the purchase or redemption of Bonds, for additional construction or to reimburse the District for any base rental or additional rental previously paid or used as credit against the next or succeeding installments of base rental coming due.

### **Additional Bonds**

The Authority covenants that no additional indebtedness with a priority over these Bonds may be created, except as provided in Sections 3.01 and 3.02 of the Resolution. Additional bonds may be issued on a parity with these Bonds, subject to the following conditions, as specified by the above sections.

1. The additional bonds must be authorized and used to finance expansion of the project and must be declared, by a supplemental resolution, to be necessary for that purpose.
2. The Authority must be in compliance with all covenants of the Resolution.
3. The additional bonds must be equally and ratably secured with all other bonds issued under the Resolution.
4. The additional bonds must mature on August 1 and/or February 1 and bear interest payable on August 1 and February 1 of each year. The additional bonds will not be subject to redemption prior to August 1, 1988, except in the event of destruction or condemnation of the project.
5. The Authority must have entered into a revised Sublease with the District in which the District obligates itself to increase the base

rental under such lease by an amount sufficient to provide for the payment of the additional principal and interest.

6. The Reserve Fund must be increased, if necessary, so that it is equal to at least one-half the annual base rental payable by the District to meet annual bond service on the outstanding bonds and the additional bonds.
7. Prior to the issuance of additional bonds, the Authority must file the supplemental resolution and other documents specified in Section 3.02 with the Trustee.

The Resolution provides that refunding bonds may be issued by the Authority. Under such circumstances the District would be obligated to make annual base rental payments sufficient for the Authority to meet principal and interest payments on the bonds which would be outstanding after the refunding.

### **Insurance Provisions**

In the Resolution, the Authority covenants that it will maintain or cause to be maintained the following insurance protection:

1. Against loss or damage to the property resulting from fire, lightning, and other perils ordinarily defined as "extended coverage" in amounts, if available, for not less than the replacement costs of all structures constituting any part of the project, or the amount of the Authority's outstanding bonds, whichever is greater (with a deductible clause of not more than \$50,000); and
2. Against loss or damage from leakage of sprinkler systems, or by explosion of steam boilers, pressure vessels and similar apparatus in amounts to be determined by the Authority; and
3. Against war risks, as and when obtainable from the United States of America or any agency thereof, in an amount not less than 80 percent of the full insurable value; and
4. Against earthquake, in an amount lesser of either of the following: (i) the full insurable value of such properties with an 80% co-insurance clause and with deductible conditions of not to exceed 10% for any one loss; or (ii) the amount of the outstanding Bonds; and
5. Use and occupancy or rental income insurance against fire, lightning, and other such perils ordinarily defined as "extended coverage" (including earthquake), while any bonds are outstanding, in



an amount of not less than two years' annual base rental and estimated additional rental; and

6. Public liability insurance and property damage insurance in such amounts, and subject to such deductible conditions, as are usually maintained in connection with similar hospitals in San Diego County; and

7. Workers' compensation for all persons employed in connection with the Project.

The insurance coverages required in subsections (6) and (7), above, may be effected under self-insurance programs of the District.

## Other Covenants

The Resolution contains certain additional covenants by which the Authority agrees:

1. To punctually pay principal and interest on the 1978 Bonds as they become due.
2. Not to mortgage, encumber, sell, lease, place a charge on or otherwise dispose of the facilities or the revenues therefrom and not to enter into any agreement which impairs the operation of the project or otherwise dispose of the project or the revenues therefrom and not to enter into any agreement which impairs the operation of the project or otherwise impairs the rights of the Bondholders with respect to the revenues or operation without making an adequate provision to protect the rights of the Bondholders.
3. To pay, discharge, or contest any lawful claims and any taxes, assessments, or other governmental charges upon the project or the revenues which might impair the security of the Bonds.
4. To keep proper books of record and accounts and to file with the Trustee annually, within 120 days after the end of each fiscal year, detailed certified audits covering the operation of the Authority, showing revenues, expenses, insurance in force, and the status of each fund. (In accordance with the Escrow Agreement, prior to June 1, 1988, the Escrow Bank shall furnish a report annually on the Escrow Fund).
5. To maintain or cause the project and all buildings and equipment to be maintained in good repair.
6. If for any reason the Authority should operate the project, to collect all rents and charges due for occupancy or use of the project as the same become due and promptly and vigorously enforce all of its rights under the Sublease.
7. Not to agree to any amendment of the Sublease which would impair or reduce the security of the holders of the Bonds.
8. Not to invest the proceeds of the 1978 Bonds in such a manner which would result in the Bonds being taxable "arbitrage Bonds" within the meaning of section 103(c), Internal Revenue Code of 1954, as amended.

## Closing Papers

Each proposal will be understood to be conditioned upon the Authority furnishing to the Purchaser, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of such delivery:

(a) *Legal opinion*—The opinion of O'Melveny & Myers of Los Angeles, California, Bond Counsel, approving the validity of the Bonds and stating that interest on the Bonds is exempt from income taxes of the United States of America under present federal income tax laws, and that such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

A copy of the opinion of O'Melveny & Myers, certified by an officer of the Authority by facsimile signature, will be printed on the back of each Bond. No charge will be made to the Purchaser for such printing or certification.

(b) *Non-Arbitrage Certificate*—A certificate of the Treasurer of the Authority that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds.

(c) *No-Litigation Certificate* — A certificate signed by an officer of the Authority that there is no litigation threatened or pending affecting the validity of the Bonds.

(d) *Signature Certificate*—A certificate of the officers and representatives of the Authority, showing that they have signed the Bonds, whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same.

(e) *Receipt* — The receipt of the Authority showing that the purchase price of the Bonds, including interest accrued to the date of delivery thereof, has been received by the Authority.

(f) *Certificate Re Official Statement*—A certificate of an officer of the Authority, acting in his official and not his personal capacity, to the effect that at the time of sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds, the

Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Aerial view of District's Palomar Memorial Hospital located in the City of Escondido.





# ESTIMATED SEMI-ANNUAL BOND SERVICE

Table 1 shows a schedule of semiannual bond service for the Authority's 1978 Refunding Lease Revenue Bonds, based on an estimated annual interest rate of 6%. Bond maturities, excepting the first and last, have been scheduled so as to provide approximately equal annual debt service. District semi-annual base rental payments are estimated at \$643,000 (\$1,286,000 per year) but the actual amount will be determined upon receipt of bond bids.

**Table 1**  
**POMERADO HOSPITAL AUTHORITY**  
**1978 Refunding Lease Revenue Bonds**  
**Estimated Bond Service**

Payment Date	Bonds Outstanding	Annual Interest Estimated @6%	Principal Maturing	Total Estimated Bond Service
8/1/78	\$16,400,000	\$ 492,000	\$ 290,000	\$ 783,000
2/1/79	16,110,000	483,300	160,000	643,300
8/1/79	15,950,000	478,500	165,000	643,500
2/1/80	15,785,000	473,550	170,000	643,550
8/1/80	15,615,000	468,450	175,000	643,450
2/1/81	15,440,000	463,200	180,000	643,200
8/1/81	15,260,000	457,800	185,000	642,800
2/1/82	15,075,000	452,250	190,000	642,250
8/1/82	14,885,000	446,550	195,000	641,550
2/1/83	14,690,000	440,700	200,000	640,700
8/1/83	14,490,000	434,700	210,000	644,700
2/1/84	14,280,000	428,400	215,000	643,400
8/1/84	14,065,000	421,950	220,000	641,950
2/1/85	13,845,000	415,350	225,000	640,350
8/1/85	13,620,000	408,600	235,000	643,600
2/1/86	13,385,000	401,550	245,000	646,550
8/1/86	13,140,000	394,200	245,000	639,200
2/1/87	12,895,000	386,850	260,000	646,850
8/1/87	12,635,000	379,050	260,000	639,050
2/1/88	12,375,000	371,250	275,000	646,250
8/1/88	12,100,000	363,000	280,000*	643,000
2/1/89	11,820,000	354,600	285,000*	639,600
8/1/89	11,535,000	346,050	300,000*	646,050
2/1/90	11,235,000	337,050	305,000*	642,050
8/1/90	10,930,000	327,900	315,000*	642,900
2/1/91	10,615,000	318,450	325,000*	643,450
8/1/91	10,290,000	308,700	335,000*	643,700
2/1/92	9,955,000	298,650	345,000*	643,650
8/1/92	9,610,000	288,300	355,000*	643,300
2/1/93	9,255,000	277,650	365,000*	642,650
8/1/93	8,890,000	266,700	375,000*	641,700
2/1/94	8,515,000	255,450	385,000*	640,450
8/1/94	8,130,000	243,900	400,000*	643,900
2/1/95	7,730,000	231,900	415,000*	646,900
8/1/95	7,315,000	219,450	420,000*	639,450
2/1/96	6,895,000	206,850	440,000*	646,850
8/1/96	6,455,000	193,650	445,000*	638,650
2/1/97	6,010,000	180,300	465,000*	645,300
8/1/97	5,545,000	166,350	475,000*	641,350
2/1/98	5,070,000	152,100	490,000*	642,100
8/1/98	4,580,000	137,400	505,000*	642,400
2/1/99	4,075,000	122,250	525,000*	647,250
8/1/99	3,550,000	106,500	535,000*	641,500
2/1/00	3,015,000	90,450	550,000*	640,450
8/1/00	2,465,000	73,950	570,000*	643,950
2/1/01	1,895,000	56,850	585,000*	641,850
8/1/01	1,310,000	39,300	605,000*	644,300
2/1/02	705,000	21,150	705,000*	726,150
Total		\$14,683,050	\$16,400,000	\$31,083,050

\*Callable on or after February 1, 1988.

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# THE REFUNDING PLAN

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## Escrow Agreement

Prior to the delivery of the 1978 Bonds, the Authority will enter into an escrow agreement (the "Escrow Agreement") with the Bank of America National Trust and Savings Association in Los Angeles, California (the "Escrow Bank"). Under the Escrow Agreement, moneys will be deposited in the Escrow Fund, a special trust fund funded from proceeds of the 1978 Bonds upon delivery thereof and be used to purchase escrowed United States Treasury Obligations—State and Local Government Series, to pay the 1974 Bond requirements. Escrowed United States Treasury obligations held in trust in the Escrow Fund, including subsequent investment earnings therefrom must be in amounts sufficient to pay scheduled debt service requirements on the 1974 Bonds due June 1, 1978 through June 1, 1988, as well as provide for the redemption of the remaining 1974 Bonds due June 1, 1989 through June 1, 2002, on June 1, 1988, the initial call date.

The Authority covenants that under no circumstances will any deposit or investment of moneys in the Escrow Fund be made at materially higher yields than the yield on the 1978 Bonds if such investment or deposit would cause the 1978 Bonds to be "arbitrage bonds" under section 103(c) of the Internal Revenue Code of 1954, as amended, and rules and regulations prescribed subsequent thereto.

A statement or report provided by a certified public accountant as to the sufficiency of funds to meet debt service requirements of the 1974 Bonds in the Escrow Fund shall be furnished as a condition precedent to delivery of the 1978 Bonds.

As the 1974 Bonds are retired or if provision for payment shall have been made with the Trustee so that such issue is paid in full and discharged, the Escrow Bank will be required to immediately transfer to the 1978 Bonds Redemption Fund any moneys remaining in the Escrow Fund and submit a final report.

## The Escrow Fund

The Escrow Fund is established by the Resolution to provide for the orderly retirement of the 1974 Bonds. Moneys deposited in the Escrow Fund will be placed in escrowed United States Treasury Obligations—State and Local Government Series, in such amounts and maturities which, together with investment earnings therefrom will be sufficient to meet principal and interest when due on the 1974 Bonds as well as to provide for the redemption on the initial call date of all remaining 1974 Bonds.

## Sources of Funds for the Escrow Fund

Table 2 below presents an estimate of the amount of moneys needed to establish the Escrow Fund.

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**Table 2**

### POMERADO HOSPITAL AUTHORITY

#### 1974 Bonds Escrow Fund

#### Sources and Application of Funds

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##### 1974 Bonds—Requirements:

Principal Amount of 1974 Bonds ..	\$14,250,000
Interest to First Call Date .....	10,877,200
Call Premium .....	240,775
Total .....	<u>\$25,367,975</u>

##### 1974 Bonds—Sources of Payment:

Federal Securities (principal amount) .....	\$16,221,400
Interest on Federal Securities .....	9,146,420
Initial Deposit .....	155
Total .....	<u>\$25,367,975</u>

##### Uses of 1978 Bond Proceeds:

Purchase of Federal Securities ....	\$16,221,400*
Initial Escrow Deposit .....	155
Costs of Issuance .....	178,445
Total Bond Issue .....	<u>\$16,400,000</u>

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\*Includes \$1,730,780 which is difference between interest to first call date on 1974 Bonds and estimated interest to be earned on Federal Securities.

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## THE PROJECT

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View of the nine-story medical/surgical tower of the Palomar Memorial Hospital, one of two hospitals operated by the Northern San Diego County Hospital District.



## Background

The Northern San Diego County Hospital District was formed in 1948 by a vote of the electorate and operates under the provisions of the Local Hospital District Law (commencing with Section 32000 of the Health and Safety Code of the State of California). Affairs of the District are conducted by a seven-member Board of Directors elected at large for four-year alternating terms at elections held every two years. District operations are carried out under the direction of an Executive Director who is appointed by and responsible to the Board of Directors. Mr. Thomas H. Livingstone has served as Executive Director since 1975, succeeding the late R. J. McLeod who had served as Administrator of Palomar Memorial Hospital since the District opened its initial facilities in 1950. Prior thereto Mr. Livingstone was Administrator of the Hemet Valley Hospital District in Riverside County, and previously served as Assistant Administrator of Palomar Memorial Hospital from 1958 to 1960.

Separate Administrators are responsible for daily operation of the District's two hospitals. Mr. Theodore E. Kleiter serves as Administrator of Palomar Memorial Hospital. Mr. A. Frank Radbourne serves as Administrator of Pomerado Hospital.

As part of the formation proceedings, voters of the District approved the construction of a 37-bed acute-care hospital to serve residents of the District. Identified as Palomar Memorial Hospital, the original facility, as expanded from time-to-time, has been located on the same nine-acre site in the City of Escondido. Escondido is located approximately 30 miles north of central San Diego on Interstate 15 (U.S. Route 395). Escondido is connected with Interstate 5 on the coast via State Route 78, which is constructed to full freeway standards for the entire 23 miles.

When originally formed in 1948, the District contained an estimated population of less than 25,000. As of January 1977, the San Diego County Planning Department estimated that the population of the District's service area totaled approximately 218,595. In area, the District covers about 794 square miles. Economic characteristics of the District are presented in a following section of this official statement, and reference is hereby made to such section for a discussion of District population centers and statistics, commerce, housing, industry, agriculture and other pertinent data.

## Existing Facilities and Operating Statistics

### Palomar Hospital

Since 1950, the original 37-bed Palomar Memorial Hospital has been expanded in several increments to the present capacity of 306 beds. Selected statistical data pertaining to Palomar Memorial Hospital since the 1972 calendar year are presented in the tabulation at the bottom of the page. It will be seen that the District has attempted to meet constantly increasing admissions by providing additional bed capacity in a timely manner.

### Pomerado Hospital

As population grew rapidly in the southern portion of the District an application was filed in 1972 with the Comprehensive Health Planning Association of Imperial, Riverside and San Diego Counties for authorization to construct a new, 130-bed acute-care District hospital to serve this developing area.

The facility, named Pomerado Hospital, was partially financed by sale by the Pomerado Hospital Authority of \$14,250,000 lease revenue bonds dated December 1, 1974. These bonds are to be fully defeased with proceeds from the 1978 Bonds currently offered. The facility is leased by the Authority to the Northern San Diego County Hospital District. The District took occupancy of the facility in April 1977. Actual operations commenced June 29, 1977.

The hospital was constructed by the M. H. Golden Construction Company of San Diego, California at a total cost of \$17,163,125, which was financed by 1974 Bond proceeds and other District funds.

During the first three months of operations, the operating statistics for the Pomerado Hospital were as presented in the tabulation below.

### POMERADO HOSPITAL

#### Operating Statistics<sup>①</sup>

Bed Capacity .....	130 <sup>②</sup>
Admissions .....	794
Patient Days (Inpatients) .....	3,550
Occupancy (Percent) .....	55.1% <sup>②</sup>
Surgical Procedures (Total) .....	585
Laboratory Examinations .....	27,935
X-Ray Studies .....	2,925
Cardio-Pulmonary Procedures .....	2,909
Physical Therapy Procedures .....	1,952
Emergency Care (Visits) .....	2,220

<sup>①</sup> July-September 1977 only; Source: Northern San Diego County Hospital District.

<sup>②</sup> In July, only 58 beds available and 76 in August-September. Average occupancy rate based on these figures, rather than ultimate 130-bed licensed capacity.

The District has operated the existing Palomar Hospital on a self-supporting basis, whereby patient revenues and related charges are sufficient to meet maintenance and operating costs of the facility (exclusive of general obligation bond service and capital outlays, which are met from property taxes and other indicated nonoperating revenue sources). It is the intention of the District that the Pomerado Hospital will also be self-supporting from patient revenues (as to maintenance and operating costs),

### PALOMAR MEMORIAL HOSPITAL

#### Operating Statistics<sup>①</sup>

	1972	1973	1974	1975	1976	1977 <sup>②</sup>
Bed Capacity .....	240	240	306	306	306	306
Admissions .....	11,332	12,158	13,445	14,202	14,326	10,739
Patient Days (Inpatients) .....	67,214	72,158	79,386	81,302	84,057	63,236
Occupancy (Percent) .....	76.5%	82.4%	71.1%	72.8%	76.8%	76.9%
Surgical Procedures (Total) .....	5,173	6,097	6,826	6,757	6,450	4,907
Laboratory Examinations .....	245,251	296,613	340,124	442,161	602,336	623,266
X-Ray Studies .....	37,153	45,005	51,194	56,674	67,543	45,879
Cardio-Pulmonary Procedures .....	23,064	28,192	35,573	43,273	53,697	49,044
Physical Therapy Procedures .....	23,122	21,678	26,098	32,740	28,384	39,668
Emergency Care (Visits) .....	21,604	25,690	27,831	30,436	32,418	25,237

<sup>①</sup> Source: Northern San Diego County Hospital District.

<sup>②</sup> First nine months.



and that the District's authorized general purpose taxing power of 25 cents per \$100 assessed valuation will be available to the extent needed to meet semi-annual lease payments to the Pomerado Hospital Authority.

## Financial Statements

The financial statements of the Northern San Diego County Hospital District for the year ended June 30, 1977 were examined by Ernst & Ernst, independent accountants, whose qualified report is included, along with the District's financial statements, in Appendix A beginning on page A1 of this official statement. Also included are the financial statements for the year ended June 30, 1976, as restated. The 1976

financial statements, prior to restatement, as well as financial statements for the years prior to 1976, were examined by other independent accountants. Copies of these financial statements, with the accountants' reports, are available at the District office.

The Balance Sheet as of June 30, 1977 is the first balance sheet which includes Pomerado Hospital as well as Palomar Memorial Hospital. As Pomerado Hospital opened on June 29, 1977, the operations for June 29 and 30, 1977 were insignificant.

Unaudited condensed financial information as of October 31, 1977 and for the four months then ended are presented in Appendix B beginning on page B1 of this official statement.

View of the District's Pomerado Hospital. Completed in April 1977 (operations began June 29, 1977) it was financed by the Pomerado Hospital Authority's 1974 Lease Revenue Bond issue, to be refunded with the 1978 Bonds currently offered.



## DISTRICT FINANCIAL DATA

*The 1978 Refunding Bonds are secured by Revenues primarily consisting of lease payments from the Northern San Diego County Hospital District as lessee of the Project. Therefore, financial data pertaining to the District is presented in this section.*

### Assessed Valuations

The assessed valuation of the District is established by the San Diego County Assessor, except for public utility property which is assessed by the State Board of Equalization. The State Board of Equalization reports that San Diego County assessed valuations for 1977/78 average 24.6 percent of full cash value. Utility property is reported to be assessed at 25 percent of full cash value.

Under amendments adopted in 1968 to the Constitution and Statutes of the State of California, two unique types of exemptions of property from ad valorem taxes became effective for the first time in the 1969/70 fiscal year. One of these exempts 50 percent of business inventories from ad valorem taxes. The other provides for an exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling if the owner files for the exemption. The revenue estimated to be lost to each taxing entity as a result of these exemptions is reimbursed to the taxing entity from state funds. The reimbursement is based upon the total taxes which would be due on the assessed valuation of the property qualifying for these exemptions, and is not reduced by any delinquencies.

The tabulation at the top of the column opposite summarizes the 1977/78 assessed valuation of the District before and after giving effect to the State-reimbursed exemptions.

The District's growth in assessed valuation in the past decade is shown in the lower tabulation in the column opposite. The increase in 1975/76 is partially due to a 5,440-acre annexation to the District that took place in August 1974.

### NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

#### 1977/78 Assessed Valuation

Assessment Roll	Assessed Valuation
Local Secured .....	\$765,787,636
Utility .....	39,154,640
Unsecured .....	33,044,443
	\$837,986,719
State-reimbursed exemptions .....	76,122,448
Assessed Valuation for Revenue Purposes .....	\$914,109,167

Source: San Diego County Auditor-Controller.

### NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

#### Assessed Valuations

Fiscal Year	Assessed Valuation
1968/69 .....	\$223,381,210
1969/70 .....	251,304,962*
1970/71 .....	290,720,618*
1971/72 .....	354,391,145*
1972/73 .....	404,385,051*
1973/74 .....	461,882,130*
1974/75 .....	560,161,526*
1975/76 .....	699,507,675*
1976/77 .....	759,547,817*
1977/78 .....	914,109,167*

\*Before deduction of State-reimbursed exemptions.

Source: San Diego County Auditor-Controller.

### Tax Rates, Levies and Delinquencies

The District utilizes the facilities of San Diego County for the assessment and collection of ad valorem taxes. However, public utility property assessed valuations are established by the State Board of Equalization. District taxes are collected at the same time and on the same tax rolls as are the county and school district taxes. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Taxes on unsecured personal property are assessed on March 1 and become delinquent in the next fiscal year on August 31.



The District's secured tax rates for the last five years and the 1977/78 tax rates for the largest tax code area in the District (1977/78 assessed valuation of \$145,460,036 or 16% of the entire District) are shown in the tabulations below and opposite.

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

### Secured Tax Rates per \$100 Assessed Valuation

	Year Ending June 30,				
	1974	1975	1976	1977	1978
Capital outlays① ..	\$ .039	\$ .250	\$ .250	\$ .250	\$ .218
Bond service② ..	.109	.095	.077	.067	.047
Total ...	\$ .148	\$ .345	\$ .327	\$ .317	\$ .265

① District has power to levy a tax of \$.20 per \$100 A.V. under California Hospital District Law. Voters approved an additional \$.05 levy on November 6, 1973 to meet rental obligations for Pomerado Hospital.

② Separate levy for voter-approved general obligation bond debt service.

Source: San Diego County Auditor-Controller.

The tabulation at the bottom of the page summarizes the secured taxes levied by the District and the amounts and percentages delinquent as of June 30 since 1971/72. Also shown are total secured collections of current and delinquent taxes for the respective years, as reflected in County records.

## Major Taxpayers

San Diego County does not compile a list of the largest ad valorem taxpayers in each particular taxing entity within the county.

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

### Secured Tax Levies and Delinquencies①

Fiscal Year	Secured Tax Levy	Delinquent as of June 30		Total Secured Collections②	Percent of Current Levy
		Amount	Percent		
1971/72 .....	\$ 607,572	\$ 20,379	3.35%	\$ 618,661	101.83%
1972/73 .....	628,439	17,933	2.85	630,811	100.38
1973/74 .....	574,008	19,899	3.47	634,787	110.59
1974/75 .....	1,644,370	104,990	6.38	1,706,398	103.78
1975/76 .....	1,972,987	83,751	4.24	2,130,175	102.30
1976/77 .....	2,082,422	94,958	4.56	2,271,127	109.06

① Includes total figures for both capital outlays and debt service, as reported by the San Diego County Auditor-Controller.

② Includes prior years' delinquencies, penalties and redemptions.

## TAX CODE AREA 8050

### 1977/78 Tax Rates/\$100 A.V.

County of San Diego .....	\$1.825
City of San Diego .....	1.357
Schools .....	5.040
Community College .....	.674
Northern San Diego County Hospital District .....	.265
Other Special Districts .....	.014
Total .....	\$9.175*

\*Does not include a tax of \$.002 on land only for a resource conservation district.

Source: San Diego County Auditor-Controller.

## Pension Plan

All qualifying full-time employees of the District are covered by a fully funded pension plan administered by Bankers Life Insurance Co. Costs to the District were \$158,300 and \$117,700 for the years ended June 30, 1977 and 1976, respectively. As of November 1977, there were 146 employees covered by the plan.

## Direct and Overlapping Bonded Debt

As of the sale date of the bonds described in this official statement, the District will have outstanding \$5,920,000 of general obligation bonds. These bonds financed construction of a major portion of the District's existing Palomar Memorial Hospital located in the City of Escondido, and comprise three issues with a final maturity date of May 1, 1998. A statement of the District's direct and estimated overlapping bonded debt is presented in Table 3 on the next page.

**Table 3**  
**NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT**  
**Statement of Direct and Estimated Overlapping Bonded Debt**

Estimated Population (January 1977) .....	218,595 <sup>①</sup>	
1977/78 Assessed Valuation .....	\$ 914,109,167	
Estimated Market Value .....	\$3,713,346,000 <sup>②</sup>	
	Percent Applicable <sup>③</sup>	Debt Applicable January 23, 1978 <sup>④</sup>
San Diego County .....	12.238%	\$ 374,483
San Diego County Water Authority .....	12.390	6,518,998
Metropolitan Water District .....	1.748	9,330,674
Northern San Diego County Hospital District .....	100.	5,920,000 <sup>⑤</sup>
Palomar Community College District .....	64.689	1,231,678
Ramona Unified School District .....	99.713	497,567
Poway Unified School District .....	98.463	23,583,262
Escondido Union High School District .....	99.879- 99.884	4,744,438
Escondido Union School District .....	99.830- 99.859	3,455,464
Orange Glen School District .....	100.	418,000
San Marcos Unified School District .....	88.261	6,376,990
Valley Center Union School District .....	100.	1,327,000
Other School and High School districts, Unified School districts, and Com- munity College districts .....	Various	773,765
City of Escondido .....	100.	4,570,000
City of San Diego .....	4.898	3,169,642
Valley Center Municipal Water District and annexes .....	85.958-100.	10,228,696
Poway Municipal Water District and annexes .....	100.	11,175,000
Ramona Municipal Water District and annexes .....	99.584-100.	7,085,566
Yuima Municipal Water District .....	100.	1,000,000
Other cities and special districts .....	Various	12,689,129
San Diego Unified Port District .....	4.194	1,493,482
<b>TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$115,963,834</b>
Less: City of San Diego (water bonds, County Water Authority and Metro- politan Water District) .....		3,224,615
San Diego Unified Port District (100% self-supporting) .....		1,493,482
Vista Irrigation District, Lake Henshaw Bonds, Series A .....		154,348
Other self-supporting bonds .....		117,589
<b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT ..</b>		<b>\$110,973,800</b>

	Ratio To		
	1977/78 Assessed Valuation	Estimated Market Value	Per Capita
1977/78 Assessed Valuation .....	100. %	② %	\$4,182
Direct Debt .....	.65	.16	28
Gross Total Debt .....	12.69	3.12	531
Net Total Debt .....	12.14	2.99	508

① San Diego County Planning Department estimate.

② Based on assessment ratios discussed on page 16 of this official statement.

③ Source: California Municipal Statistics, Inc., San Francisco, California.

④ Excludes revenue bonds and share of lease-purchase obligations (\$3,336,079). Excludes sales and repayments, if any, between December 7, 1977 and January 23, 1978.

⑤ Excludes \$16,400,000 of Pomerado Hospital Authority 1978 Refunding Lease Revenue Bonds to be sold January 23, 1978.

**Note**—District's share of authorized and unsold bonds:

Metropolitan Water District .....	\$6,380,200	Valley Center Municipal Water Dis- trict Improvement Districts .....	\$2,690,000
Poway Unified School District .....	1,708,333	Other special districts .....	1,824,819
Poway Municipal Water District and annexes .....	1,760,000		



# ECONOMY OF THE AREA

## THE DISTRICT

The Northern San Diego County Hospital District covers approximately 794 square miles in the north central portion of San Diego County. The District has three principal areas of population and commercial activity—Escondido in the north, Poway and Rancho Bernardo in the south, the latter being within the San Diego city limits. At the time of the 1970 Census approximately 125,000 people were residing in the District. The County Planning Department estimates January 1977 population for the planning areas that comprise the District at 218,595.

The economy of the area is based principally upon retail trade and light manufacturing. Most industrial firms are located in the Escondido and Poway-

Rancho Bernardo areas, which have well-developed industrial areas. Employment opportunities in the District are steadily increasing. Many residents commute to work in downtown San Diego and neighboring employment centers, a pattern facilitated by the efficient transportation network of the San Diego metropolitan complex.

## Population and Housing

Rates of population growth in the District can be measured by reference to census tracts utilized by the San Diego County Planning Department in projecting population patterns. The tabulation at the bottom of the page lists fifteen census tracts which are located wholly or partially within the District, or are served by its two hospitals.

Aggregate population of the selected census tracts was about 218,595 in January 1977, an increase of 76.9 percent over the April 1, 1970 Census.

The 1970 Census of Housing reported approximately 45,000 housing units in the District. By January 1977, this total had grown to nearly 83,000. About 68 percent of all housing units are single-family dwellings. In the past few years, there has been a sharp increase in multi-family structures.

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

### Population of Census Tracts

Census Tract	Population			Percent Change 1970-77
	1977 <sup>①</sup>	1970 <sup>②</sup>	1960 <sup>②</sup>	
Poway .....	35,680	14,343	5,022	148.8%
North San Diego .....	22,000	7,714	573	185.0
Del Mar-Mira Mesa (30%) .....	12,459	5,686	1,103	119.1
Escondido .....	69,710	50,821	29,838	37.2
San Marcos .....	19,970	6,059	3,243	229.6
San Dieguito (30%) .....	14,142	7,807	5,712	81.1
Ramona .....	9,510	5,901	4,153	61.2
Carlsbad (20%) .....	5,248	3,257	1,993	61.2
Fallbrook (15%) .....	2,744	1,806	1,309	52.0
Vista (35%) .....	13,622	10,318	6,984	32.0
Valley Center .....	5,120	3,488	2,316	46.8
Pauma .....	2,160	1,586	1,106	36.2
Palomar-Julian .....	3,340	2,718	2,204	22.9
Laguna-Pine Valley (50%) .....	1,240	975	904	27.2
Anza-Borrego Springs <sup>③</sup> .....	1,650	1,087	979	51.8
Total .....	218,595	123,566	67,439	76.9%

① Estimates by San Diego County Planning Department, January 1977.

② U.S. Bureau of the Census.

③ Not within district, but served by district hospitals.



Aerial view of the Kearney Mesa industrial area near the southern boundaries of the District. Since this photograph was taken in 1974, additional development has taken place.



Median District housing values reported in the 1970 Census ranged from \$21,500 in the San Marcos area to \$24,900 in the Escondido area. Median rents for apartments ranged from \$119 in Escondido to \$145 in the Poway area. Home values have more than tripled and apartment rents doubled in the period since the 1970 Census.

## **RANCHO BERNARDO**

Under development about 25 miles north of downtown San Diego along U.S. Highway 395 (Interstate 15) is the planned community of Rancho Bernardo. This 5,900-acre community, which is within the San Diego city limits, is being developed by Avco Community Developers, Inc., a division of Avco Corporation. Rancho Bernardo is master planned for 17,000 dwelling units and a population of 50,000. At the present time, development is about 30 percent completed with an estimated population of 16,000. Ultimate development is anticipated in the mid-1980's.

The development includes a 635-acre industrial park. To date, there are five major industrial firms located in the park. The largest of these is the 500,000 square-foot computer assembly plant of National Cash Register Company (NCR). This plant, along with facilities of Hewlett-Packard, Sony Corporation, Burroughs Corporation and Allstate Insurance Company, employ 4,500 in their operations.

In addition to the industrial park, there are 160 acres planned for a Town Center commercial complex and four smaller shopping centers. The Town Center complex presently has 11 financial institutions, 5 office buildings and a post office facility.

Rancho Bernardo provides a variety of residential units, including homes, townhouses and apartments. There is also an adult community within the development. Full recreational facilities are being developed, including parks, playgrounds, swimming pools, tennis courts and three golf courses (two 18-hole and one 27-hole). There are also medical facilities, fire station and library for use of area residents.

## **POWAY**

Poway is an unincorporated area of the county located to the east of the north-city developments of Mira Mesa and Rancho Bernardo, and southeast of Escondido. It is located about 23 miles north of downtown San Diego. At the time of the 1970 Census, the population of the Poway area was 13,434. As of January 1977, the population of the

Poway area is estimated at 35,680, an increase of 149 percent over the 1970 Census figure. This increase marks the Poway area as one of the fastest growing in the County.

## **Building Activity**

Poway has been one of the most active residential construction areas in the County. For the first nine months of 1977, permits were issued by the San Diego County Building Department for 400 single and multiple dwelling units, with a total valuation of \$21,492,171. From January 1972 through September 1977, permits for a total of 3,650 dwelling units valued at \$124,720,420 were issued. Permit valuations are not compiled separately for commercial and industrial construction for Poway. However, such construction in this sector has continued to grow along with residential growth.

## **Commercial Activity**

The California State Board of Equalization reports that there are over 200 retail establishments operating in the Poway area. The nearby electronics, industrial and military complex at Kearny Mesa provides an additional market area for Poway commercial establishments.

## **Agriculture**

Poway is one of the few locales which can support commercial avocado production and the amount of land devoted to agriculture within the area is growing despite the continuing urbanization. Approximately 25 percent of the water provided by the Poway Municipal Water District is for agricultural use.

## **Education**

Most of the area served by the District's Pomerado Hospital is located within the Poway Unified School District which operates seven elementary schools, two intermediate schools and a high school. Poway is also served by Palomar Community College, a two-year college in San Marcos, 20 miles from Poway. Other two and four-year institutions are located in nearby areas of San Diego. District enrollment has increased from about 3,300 in 1964 to 14,082 in 1977/78.

## **Transportation**

Poway Road provides access from the approximate center of Poway to Interstate 15, a distance of two miles. Interstate 15 connects Poway with San Diego to the south and with Escondido to the north,

where it intersects State Route 78 which, in turn, provides access to the Pacific Coast and to Interstate 5, the main route between San Diego and Los Angeles, and other intra- and inter-state points.

Greyhound bus service is available in Escondido, 15 miles to the north. A variety of air, water, rail, truck and bus services are available in San Diego, 23 miles to the south.

**CITY OF ESCONDIDO**

The City of Escondido, incorporated in 1888, is located in western San Diego County, about 30 miles north of downtown San Diego, and 100 miles south of Los Angeles. It is 18 miles east of the Pacific Ocean in an entirely different climatic area.

The city encompasses almost 19 square miles and is the population and commercial center of the inland north county area. The city has maintained a steady rate of growth in recent years. During the 1960's the city's population increased by 20,415 or 125 percent compared with a 31.5 percent increase countywide. As of January 1, 1977, the population was estimated at 69,710 by the County Planning Department and an increase of 18,889 since the 1970 Census.

According to a study by the San Diego County Planning Department, a total of 21,376 housing units were located in Escondido as of January 1, 1977, representing a net increase of 7,770 over the 1970 Census figure. Of this total, 11,116 were single units, 6,778 were multiple units and 3,482 were mobile homes.

**Industry and Employment**

Industrial growth has continued apace with development of the city in recent years. There are currently over 125 industrial firms within the city, of which 22 employ 50 or more.

A well diversified group of manufacturing, processing and distribution firms are located on part of more than 1,000 acres zoned for industrial use within the Escondido community area. Among the numerous industrial firms that have chosen to locate in Escondido, the largest in terms of 1977 employment include: Golfcraft, Inc.—golf clubs; ATI Industries—aircraft tools; Simpson Electric Co.—electric meters; Dorsey Company—baby products; and Hewlett-Packard—electronics. Altogether, there are 133 industrial firms in the Escondido area, employing about 2,500.

Principal non-industrial employers in the city include the City of Escondido, Palomar Memorial

Hospital, Escondido Union Elementary School District, Escondido Union High School District and Pacific Telephone Company.

**Commerce**

Commercial activity in Escondido is characterized by a well-developed and diversified central business district and several neighborhood shopping areas. As the center of trade and commerce for the inland north county area, the city has consistently ranked among the top four cities in total taxable sales recorded in the county. The largest shopping center in the city is the 80-unit, air-conditioned Escondido Village Mall, which includes many nationally-known retail outlets, the largest of which is Sears, Roebuck & Co.

The following tabulation summarizes the growth in taxable transactions for the city since 1972, as reported by the State Board of Equalization.

**CITY OF ESCONDIDO**

**Taxable Transactions**

Year	Outlets July 1	Taxable Transactions
1972 .....	1,087	\$189,466,000
1973 .....	1,155	213,597,000
1974 .....	1,252	250,431,000
1975 .....	1,359	272,189,000
1976 .....	1,469	326,541,000
1977 (6 mos.) .....	1,542	197,723,000

Source: State Board of Equalization.

Escondido is served by a number of financial institutions, both banks and savings and loan institutions: Bank of America N.T. & S.A. (three branches); California First Bank; Crocker National Bank; First National Bank of San Diego County (two branches); North County Bank; San Diego Trust and Savings Bank; Security Pacific National Bank; Southwest Bank; United California Bank; Allstate Savings and Loan; Anaheim Savings and Loan; First Federal Savings and Loan; Home Federal Savings and Loan (two branches); Imperial Savings and Loan; Ocean-side Federal Savings and Loan; and Palomar Savings and Loan.

**Construction**

Industrialization within the county, including the Escondido area, as well as the general desirability of the community as a place to live, has created an



increased demand for housing. The tabulation below summarizes construction activity in Escondido since 1972.

## CITY OF ESCONDIDO

### Building Permits

Year	New Dwelling Units	Total Permit Valuations
1972 .....	2,011	\$42,692,551
1973 .....	736	31,443,905
1974 .....	599	29,872,517
1975 .....	901	31,166,106
1976 .....	1,568	52,279,577
1977 (9 mos.) .....	1,564	38,211,136

Source: City Building Department.

### Transportation and Utilities

Escondido is served by Interstate 15 (U.S. 395), a major north-south highway/freeway. The city is also served by State Route 78 which connects with Interstate 5 seventeen miles to the west.

A number of local and transcontinental trucking firms provide overnight delivery to Los Angeles, San Francisco and other points. Local and commuter bus service is scheduled by Oceanside Transportation System, and long distance service is provided by Greyhound Lines. The Santa Fe Railway has a line into the city, connecting it with that system's transcontinental rail network.

Palomar Airport, 10 miles to the east, serves the area with charter service and other general aviation activities. Air service to all parts of the world is available at San Diego International Airport, 25 miles south of the city.

Deep water transportation is available at the Port of San Diego, with convenient access via Interstate 15.

San Diego Gas and Electric Company brings natural gas and electric power to the City. Pacific Telephone Company serves the area. Water is supplied by the city.

### Education

The city is served mainly by the Escondido Union Elementary School District and the Escondido Union High School District. Average daily attendance for these school districts in recent years is shown in the tabulation at the top of the column opposite.

Year	Grades K-8	Grades 9-12
1972/73 .....	9,375	5,196
1973/74 .....	9,581	6,177
1974/75 .....	9,951	6,696
1975/76 .....	10,467	6,773
1976/77 .....	11,091	6,055
1977/78* .....	9,742	5,632

\*Fall term enrollment.

Sources: Escondido Union Elementary School District, Escondido Union High School District.

Palomar College, a two-year community college located in San Marcos, adjacent to Escondido, has a 1977/78 enrollment of more than 15,000 students.

## CITY OF SAN MARCOS

The City of San Marcos, incorporated in 1963, is located about 5 miles west of Escondido on State Route 78. The city has experienced a high rate of growth in recent years. The city's population, as reported by the 1970 Census, was 3,896. The County Planning Department estimated the population as of January 1, 1977 to be 12,100, an increase of 8,204 over the 1970 Census.

### Industry and Employment

Much of the employment opportunities in the immediate area are within the Escondido-San Marcos industrial areas discussed previously. In addition, San Marcos is within commuting distance of the entire greater San Diego area and the many employment opportunities it offers.

### Commerce

As in industry and employment, the San Marcos-Escondido area comprises a major component of a market area of over 200,000. The following tabulation shows the city's growth in taxable transactions since 1972, as reported by the State Board of Equalization.

## CITY OF SAN MARCOS

### Taxable Transactions

Year	Outlets July 1	Taxable Transactions
1972 .....	179	\$12,964,000
1973 .....	214	18,083,000
1974 .....	261	27,145,000
1975 .....	315	32,887,000
1976 .....	359	51,526,000
1977 (6 mos.) .....	397	30,514,000

Source: State Board of Equalization.

San Marcos is served by the following banks and savings and loan institutions: Liberty National Bank; Security Pacific National Bank; and Empire Savings and Loan. Many other financial institutions are located in nearby Escondido.

## Construction

The following tabulation summarizes construction activity in San Marcos since 1972, as reported by the City Building Department:

### CITY OF SAN MARCOS

#### Building Permits

Year	New Dwelling Units	Total Valuation—All Permits
1972 .....	714	\$21,923,763
1973 .....	658	25,761,046
1974 .....	149	8,952,397
1975 .....	198	14,187,345
1976 .....	547	34,677,554
1977 (9 mos.) .....	408	32,265,198

Source: City Building Department.

## Education

The city is served by the San Marcos Unified School District. Average daily attendance for the schools serving the city in recent years is shown below. Palomar College, described above, also serves San Marcos residents.

Year	Grades K-8	Grades 9-12
1972/73① .....	2,009	5,196②
1973/74① .....	2,245	6,177②
1974/75① .....	2,511	6,696②
1975/76① .....	2,669	6,773②
1976/77③ .....	2,758	1,104
1977/78③ .....	3,087	1,195

① Before unification, districts were Rich-Mar UESD and Escondido UHSD.

② Includes Escondido as well as San Marcos students.

③ Fall term enrollment. Grades 9-12 San Marcos students only.

Source: Respective school districts.

## Transportation and Utilities

San Marcos is located on State Route 78, about 5 miles west of Interstate 15 (U.S. 395) and 17 miles

east of Interstate 5. Bus, rail, truck, air and water transportation are available as described previously in connection with the City of Escondido.

San Diego Gas and Electric Company provides natural gas and electric power to the city. Pacific Telephone Company serves the area. Water is supplied by the San Marcos County Water District.

## GREATER SAN DIEGO

Metropolitan San Diego, an important industrial, military, research and oceanographic center, is one of the fastest growing sections of the United States. The Metropolitan Area (San Diego County) extends 70 miles along the Pacific Coast from the Mexican border to Orange County. It is bounded on the northeast by Riverside County and extends inland 75 miles to Imperial County. Encompassing 4,225-square miles, the county is approximately the size of the State of Connecticut. The San Diego area is one of the oldest settled sections of the United States. The Bay of San Diego was discovered in 1542 by the Spanish explorer Cabrillo, and in 1769 Father Junipero Serra founded the Mission San Diego de Alcalá, the first in the chain of 21 California missions.

Topography varies from broad coastal plains to fertile inland valleys and mountain ranges to the east, rising to an elevation of 6,500 feet. Eastern slopes of these mountains form the rim of the Anza-Borrego Desert and the Imperial Valley. Climate is mild in the coastal and valley regions where most of the population and resources are located. Maximum daily temperatures along the coast average 70.8° and mean temperatures vary only 14° between the warmest and coldest months. Average annual rainfall in the coastal area is approximately ten inches.

In January 1977, county population was estimated at 1,656,800 by the San Diego County Planning Department, an increase of 22 percent over the 1970 Census. Impressive growth is evident in the summary of economic indicators for the county at the top of the next page.

## Population Growth

An indication of the population growth in San Diego County since 1950 is shown in the summary on the next page of population for the county, the City of San Diego, and cities within the Northern San Diego County Hospital District. The City of San Diego accounts for approximately 48 percent of total county population.



## METROPOLITAN SAN DIEGO

### Selected Economic Indicators (in thousands)

	1970	1972	1976
Assessed valuation .....	\$ 2,685,531	\$ 3,853,613	\$ 6,430,137
Value—All building permits .....	\$ 506,104	\$ 965,067	\$ 1,245,344
Total taxable sales .....	\$ 2,478,538	\$ 3,293,149	\$ 5,395,786
Total employment (non-agricultural) .....	444	479	508
Value—Manufactured products .....	\$ 1,773,000	\$ 1,822,000	\$ 3,178,000
Bank debits .....	\$30,922,888	\$48,470,479	\$99,596,521
Value—Agricultural production .....	\$ 143,056	\$ 167,748	\$ 322,900
Electric consumption (KWH) .....	5,797,462	7,001,214	8,060,738

Source: San Diego Chamber of Commerce, annual San Diego Business Surveys.

## SAN DIEGO COUNTY

### Population

	1950	1960	1970	January 1977
Escondido .....	6,544	16,377	36,792	53,800
San Marcos .....	—	—	3,896	12,100
San Diego .....	334,387	573,224	696,769	797,200
Rest of County .....	215,877	443,410	620,397	793,700
Total .....	556,808	1,033,011	1,357,854	1,656,800

Sources: 1950-1970 U.S. Census; 1977 County Planning Department.

### Employment

Total civilian employment in Greater San Diego (San Diego County) in August 1977 was 531,000 according to the State Employment Development Department. The tabulation to the right presents the distribution of employment by industry.

Government, trade, and services combined account for more than two-thirds of all nonagricultural wage and salary workers in the metropolitan area. Public education is the principal category of local government employment.

### Industry

The most important industries in the San Diego area, based on payrolls, are aerospace, electrical equipment, machinery, office equipment, computers, printing and publishing, and food processing. There are more than 1,100 manufacturing firms in the Metropolitan Area. San Diego County is fortunate in that it has room for substantial expansion of industry.

## SAN DIEGO LABOR MARKET

### Employment Data

Industry	August 1976	August 1977
Agriculture .....	14,300	14,300
Mining .....	800	800
Construction .....	27,700	30,900
Manufacturing .....	72,400	75,400
Transportation/Utilities ....	23,300	24,400
Trade .....	115,700	121,300
Finance/Insurance .....	26,500	28,000
Services .....	107,400	113,100
Federal Government .....	39,200	38,400
State/Local Government ...	79,600	84,400
Total .....	506,900	531,000
Seasonally adjusted unemployment rate .....	12.2%	9.6%

Source: California Employment Development Department.

The six major employers in San Diego, each employing over 3,000 are (number employed in parenthesis): General Dynamics—Convair Division (9,500); National Steel and Shipbuilding Co. (5,000+); Pacific Telephone Co. (7,000+); Rohr

Industries (5,000+); Foodmaker, Inc. (3,000+); and San Diego Gas and Electric Co. (4,000+). Major employers in the San Diego area are listed in Table 4 below.

**Table 4**

**METROPOLITAN SAN DIEGO MAJOR EMPLOYERS**

**1,000 or More Employees**

Firm	Product or Service
<b>5,000-9,999 Employees:</b>	
General Dynamics—Convair Division	Aerospace components
National Steel & Shipbuilding Co.	Shipbuilding/repairs
Pacific Telephone Company	Telephone utility
Rohr Industries	Aerospace/transportation systems
<b>3,000-4,999 Employees:</b>	
Foodmaker, Inc.	Food products
San Diego Gas & Electric Co.	Utility
<b>2,000-2,999 Employees:</b>	
Bank of America NT & SA	Banks
California First Bank	Banks
Fed Mart Corp.	Discount stores
General Atomic Co.	Nuclear power systems
PSA, Inc.	Airline
Ratner Corp.	Men's clothing
Sears, Roebuck & Co.	Department stores
Solar	Gas turbines
<b>1,000-1,999 Employees:</b>	
Atlas Hotels, Inc.	Hotel chain
Broadway Hale Stores	Department stores
Campbell Industries	Boat building/repairs
Datagraphix, Inc.	Microfilm products
Food Basket	Food markets
General Dynamics—Electronics Division	Electronic components
Handyman	Retail hardware stores
Home Federal Savings & Loan of San Diego	Banks
Kaiser Permanente Medical Care Programs	Clinics
May Co.	Department stores
Mercy Hospital	Hospital
Ward's	Department stores
NCR Corporation	Business machines
J. C. Penney Stores	Department stores
Safeway Stores	Food markets
Servomation Duchess, Inc.	Food vending
Sony Corp. of America	Television manufacturing
Teledyne Ryan Aeronautical	Aerospace components
Union Tribune Publishing Co.	Newspaper
Van Camp Sea Food Co.	Seafood packer
Walker Scott Co.	Department stores

Source: Business Directory. San Diego Chamber of Commerce, August 1977.



## Agriculture

San Diego County is a major agricultural producer in California and the nation. In 1976, there were 22 production categories that had a value in excess of one million. The top five were tomatoes, eggs, avocados, milk and Valencia oranges. These five accounted for \$195.5 million, or 60%, of the county's total 1976 valuation of \$322.9 million.

The tabulation below summarizes agricultural production values in the county since 1972.

### SAN DIEGO COUNTY Agricultural Production

Year	Cultivated Acres	Total Valuation
1972 .....	56,302	\$167,510,700
1973 .....	61,184	219,527,100
1974 .....	61,035	239,860,960
1975 .....	68,176	292,234,810
1976 .....	77,626	322,900,000

Source: San Diego County Department of Agriculture, Weights and Measures.

## Military

San Diego is headquarters for the Eleventh Naval District, embracing nine Southern California counties, Clark County in Nevada, and the State of Arizona.

A wide variety of Navy and Marine facilities are located in the San Diego area. Principal installations are the Miramar and North Island Naval Air Stations, the Naval Electronics Laboratory, the San Diego Naval Hospital (largest in the world), the Amphibious Base Coronado, the Anti-Submarine Warfare School, and the Naval Training Center. Miramar Naval Air Station is located immediately south of the Northern San Diego County Hospital District. Camp Pendleton Marine Base, the largest in the Corps, is located near Oceanside, in the northern part of the County.

The overall military contribution to San Diego's economy exceeds \$1 billion annually. The Navy ranks second as a contributor to the local economy. San Diego's manufacturing industries generate close to \$2 billion annually in payrolls, taxes and local purchases, according to the San Diego Chamber of Commerce.

Military payrolls totaled over \$510 million in 1976; in addition to this, civilian employees at mili-

tary installations in the county collected more than \$398 million in salaries and wages in 1976.

## Convention and Visitor Business

Important in San Diego's increased commercial activity has been the growth in visitor and convention business. This industry contributes more than \$1 million a day to the economy of the area, according to studies by the San Diego Convention and Visitors Bureau.

An excellent climate, proximity to Mexico, extensive Navy facilities, Coronado, and such attractions as the San Diego Zoo, Wild Animal Park (near Escondido), Sea World, and Cabrillo National Monument are prime tourist attractions. Contributing to the growth of the visitor business has been the development of the 4,600-acre Mission Bay Park and the construction of new hotels, motels and convention facilities at the San Diego Community Concourse.

The justly famous San Diego Zoo in Balboa Park has more than 5,000 animals of 1,575 species, comprising the world's largest wild animal exhibit. Other attractions in the 1,400-acre Balboa Park are Children's Zoo, Shakespearian Old Globe Theatre, Fine Arts Gallery, Museum of Man, Natural History Museum, Spanish Village Art Center, Balboa Bowl, Balboa Stadium, Planetarium and Hall of Science and two golf courses. Over three million persons visit the Zoo annually.

Sea World, opened in 1964, encompasses 70 acres of bay waters and land area and represents an investment of almost \$60 million. Cabrillo National Monument, located at the most southwesterly point in the United States, hosts more than a million visitors annually.

The following tabulation summarizes San Diego convention activity since 1972 as reported by the San Diego Convention and Visitors Bureau.

### SAN DIEGO CONVENTIONS

Year	Number of Conventions	Number of Delegates	Delegate Spending
1972 .....	602	348,796	\$ 55,807,360
1973 .....	631	355,000	57,000,000
1974 .....	771	443,310	79,795,800
1975 .....	821	468,002	102,960,440
1976 .....	889	485,553	135,954,840
1977* ....	925	507,000	152,100,000

\* Projected.

Source: San Diego Convention and Visitors Bureau.

Also in the San Diego area are located the San Diego Sports Arena and San Diego Stadium. The latter is the home of the San Diego Padres baseball team and the San Diego Chargers football team.

## Transportation

San Diego's natural harbor is one of the finest in the world. The Port of San Diego has been an important source of commerce for the area.

San Diego is the terminus of the Santa Fe Railway route from Los Angeles and San Bernardino, providing rail freight service to all parts of the nation. Amtrak operates daily five passenger trains each way between San Diego and Los Angeles, with stops at intermediate points in San Diego and Orange Counties.

San Diego has one of the most conveniently located commercial airports in the world. International Airport (Lindbergh Field) is located approximately a mile west of the downtown area, at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. San Diego International is California's third most active airport in terms of commercial traffic. The field is served by eight scheduled airlines, including Pacific Southwest Airlines (PSA), which is headquartered there. Since 1960, passenger traffic and cargo shipments have greatly increased.

San Diego is the western terminus of Interstate Highway 8. The coast freeway, Interstate 5, connects San Diego with other major west coast cities. Interstate 15 (U.S. 395) provides an alternative route north through Escondido and Riverside. Interstate 5 has been constructed to full freeway standards (eight lanes) throughout the county while Interstates 8 and 805, which intersect in the center of the city, are being expanded to six- and eight-lane freeways in San Diego County. Interstate 805 is an express route from Del Mar to the Mexican Border.

Greyhound and Continental Trailways provide regional and interstate motor transportation. Local bus service throughout the Greater San Diego Area is provided by the San Diego Transit Corporation, a non-profit corporation formed by the city to acquire the facilities of the previous privately-owned company.

The California State Toll Bridge Authority in 1966 sold \$47,600,000 of bonds for construction of a bridge across San Diego Bay, linking the City of San Diego and the Coronado Peninsula. The bridge opened for traffic in August 1969.

## Research

Research and development work is playing an increasingly important role in the San Diego economy. The construction of a major campus of the University of California at San Diego (UCSD) added impetus to this development, since research facilities traditionally cluster around major universities with their climate of scientific inquiry.

San Diego County is one of the world's leading health sciences and biomedical centers. Approximately 25,000 persons share \$35 million in annual payrolls from life sciences-related activities. Other life science research organizations, in addition to the University of California at San Diego, include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and Scripps Institution of Oceanography.

The Salk Institute for Biological Studies, headed by Dr. Jonas Salk, was established at San Diego in 1963 for pure and applied research in the life sciences, uniting biological studies in such fields as the nature of living organisms with research in practical medicine.

A center of biological research, as well as medical training and actual treatment, is the Scripps Clinic and Research Foundation. The foundation is a non-profit organization founded in 1924. A new \$25 million plant has been built on a 12-acre site near the UCSD medical school. This organization operates 43 laboratories and has over 700 research employees, including 170 senior scientists and fellows who are MD's or hold other doctorates.

A \$35 million Veterans' Administration Hospital adjacent to UCSD's School of Medicine opened in February 1972 and is expected to make a major contribution to biomedical research in the area.

The Scripps Institution of Oceanography has been a unit of the University of California since 1912. The Institution occupies nine buildings on a 159-acre site in the La Jolla section of San Diego, where it is engaged in postgraduate education as well as research. The Institution is the world's largest center of marine biological research.

The Naval Electronics Laboratory is an outgrowth of the radio station established by the Navy at San Diego in 1906. Currently, the laboratory performs research, development and tests in the fields of radio, radar, sonar, oceanography and scientific research instruments.

The John Jay Hopkins Laboratory of Gulf Energy and Environmental System ranks as the world's



largest privately-owned center for diversified nuclear development. The division has 500,000 square feet of facilities representing an investment of more than \$25,000,000 on its 350-acre site near Del Mar.

## Education

San Diego County has 27 elementary school districts, 6 high school districts and 10 unified school districts. Total fall-term enrollment for the 1976/77 school year (latest available) was 321,225, an increase of 122,883 since 1970/71.

Community colleges in California are locally operated and administered two-year institutions beyond high school. They offer the Associate in Arts and Associate in Science certificates and have extensive vocational curricula. The five community college districts in Metropolitan San Diego have a combined 1977/78 enrollment of over 85,000. They are: San Diego Community Colleges (four campuses); Grossmont College, La Mesa; Miracosta College, Ocean-side; Palomar College, San Marcos (as previously mentioned); and Southwestern College at Chula Vista.

There are four degree institutions of higher education in San Diego: the University of California at San Diego (7,000 students), San Diego State University, San Diego (30,000), University of San Diego (2,500), and United States International University (5,800). These institutions have a direct effect in bolstering the local economy through the attraction of research dollars to the area.

San Diego State University offers the bachelor's degree in 80 fields and the master's degree in 14. There are doctorate programs in chemistry, genetics and ecology at this campus. The university operates a branch at Calexico, in Imperial County.

The University of California at San Diego offers graduate and undergraduate instruction at three colleges—Revelle College, Muir College and Third College. The campus serves as headquarters for the University's Institute of Marine Resources and includes the long-established and celebrated Scripps Institution of Oceanography. There is a School of Medicine in the education complex.

The University of San Diego offers the Master's degree in ten fields and awards the Juris Doctor degree at its School of Law.

Aerial photograph taken in 1974 of the Rancho Bernardo residential and light industrial area near the southern boundaries of the Northern San Diego County Hospital District. Rancho Bernardo, together with Poway and Los Penasquitos are the fastest growing areas of the District. New development in these areas has continued since the photograph was taken.



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## **APPENDIX A**

**Northern San Diego County Hospital District**

**Audited Financial Statements  
In the Year Ended June 30, 1977.**

Audited Financial Statements and  
Other Financial Information

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

June 30, 1977

Audited Financial Statements

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# Ernst & Ernst

1010 Second Avenue • Suite 1515 • San Diego, California 92101 • 714/232-6335

Board of Directors  
Northern San Diego County Hospital District  
Escondido, California

We have examined the balance sheet of Northern San Diego County Hospital District for the year ended June 30, 1977, and the related statements of revenue and expenses--unrestricted funds, changes in fund balances and changes in financial position--unrestricted funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for the preceding year, prior to the restatement described in Note B, were examined by other independent accountants.

As described in Note I to the financial statements, no provision has been made for the amounts by which reimbursable costs for services rendered under the Medi-Cal Program exceed limitations imposed by the State of California for the year ended June 30, 1977 and June 30, 1976, which are approximately \$71,000 and \$55,000, respectively. The U. S. District Court has ruled that the State had no authority to impose a percentage limitation on reimbursable costs, however, the decision is being appealed.

As described in Note C to the financial statements, the Palomar Memorial Hospital's detail accounts receivable listing exceeds the general ledger control balance, which is the amount included in the financial statements, by approximately \$318,000. We were unable to determine the reasons for the difference.

In our opinion, subject to the effect, if any, on the financial statements of the ultimate resolution of the matters discussed in the two preceding paragraphs, the financial statements referred to above present fairly the financial position of Northern San Diego County Hospital District at June 30, 1977, and the results of its operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Ernst & Ernst*

San Diego, California  
October 19, 1977



## BALANCE SHEET

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

	June 30	
	1977	1976
	(Restated--Note B)	
UNRESTRICTED FUNDS		
ASSETS		
CURRENT ASSETS		
Cash--Note E	\$ 1,900,182	\$ 4,203,305
Accounts receivable from patients, less allowances (1977--\$893,000; 1976--\$600,000) for uncollectible accounts--Note C	3,664,245	2,151,936
Inventories of supplies--at cost	748,631	433,949
Prepaid expenses	138,713	203,095
Other current assets including deposits on equipment	604,345	64,768
TOTAL CURRENT ASSETS	7,056,116	7,057,053
BOARD-DESIGNATED ASSET--Cash--Note E	1,533,717	1,555,099
PROPERTY, PLANT AND EQUIPMENT--Notes F and G		
Land	392,612	176,065
Land improvements	12,731	12,731
Buildings	29,139,893	11,372,600
Equipment	6,321,071	3,056,273
	35,866,307	14,617,669
Less allowances for depreciation and amortization	5,260,030	4,405,614
	30,606,277	10,212,055
Construction in progress		15,919,615
	30,606,277	26,131,670
OTHER ASSETS		
Unamortized pre-opening and organization costs	409,493	
	\$39,605,603	\$34,743,822
RESTRICTED FUNDS		
Cash	\$ 15	\$ 15
Notes receivable	28,081	7,738
Due from unrestricted fund	259,202	1,233,880
	\$ 287,298	\$ 1,241,633



June 30	
1977	1976
(Restated--Note B)	

# UNRESTRICTED FUNDS

## LIABILITIES AND FUND BALANCES

### CURRENT LIABILITIES

Accounts payable	\$ 981,159	\$ 534,546
Accrued compensation and related liabilities	575,134	419,559
Accrued expenses	72,946	60,758
Amounts payable under third-party reimbursement programs--Note D	402,730	154,364
Advances from Blue Cross	91,800	73,700
Due to restricted funds	259,202	1,233,880
Current portion of long-term debt	772,703	220,000
TOTAL CURRENT LIABILITIES	3,155,674	2,696,807

### LONG-TERM DEBT, less current portion-- Note F

21,168,149	20,240,000
------------	------------

### DEFERRED LIABILITY UNDER THIRD-PARTY REIMBURSEMENT PROGRAMS--Note D

189,184	239,570
---------	---------

### FUND BALANCES

Retained for general purposes	13,558,879	10,012,346
Board-designated for capital improvements	1,500,160	1,550,464
Board-designated--other	33,557	4,635
	15,092,596	11,567,445

### COMMITMENTS AND CONTINGENCIES--Notes C, D, G, H and I

<u>\$39,605,603</u>	<u>\$34,743,822</u>
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## RESTRICTED FUNDS

### Fund balances:

Restricted for capital outlays	\$	\$ 970,174
Restricted to the payment of bonded indebtedness	254,002	263,706
Restricted to scholarship loans	7,753	7,753
Restricted for clinical physiology department improvements	25,543	
	<u>\$ 287,298</u>	<u>\$ 1,241,633</u>

## STATEMENT OF REVENUE AND EXPENSES--UNRESTRICTED FUNDS

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

	Year ended June 30	
	1977	1976
	(Restated--Note B)	
Patient service revenue:		
Routine services	\$ 8,587,635	\$ 7,191,245
Ancillary services	9,413,093	8,694,489
Gross patient service revenue	18,000,728	15,885,734
Deductions from revenue:		
Contractual allowances	1,157,644	1,051,379
Provision for uncollectible accounts	482,581	894,532
Other deductions from revenue	71,945	22,704
Net patient service revenue	16,288,558	13,917,119
Other operating revenue, including transfer of restricted funds of \$306,233 in 1977 and \$317,996 in 1976	484,877	469,823
Total operating revenue	16,773,435	14,386,942
Operating expenses:		
Routine services	4,218,120	3,295,048
Ancillary services	6,397,495	6,011,004
General services	2,539,531	2,051,513
Fiscal and administrative services	2,267,260	1,890,260
Depreciation	854,416	772,338
Interest	319,059	315,346
Total operating expenses	16,595,881	14,335,509
OPERATING REVENUE OVER EXPENSES	177,554	51,433
Nonoperating revenue:		
Unrestricted gifts	37,142	34,093
Income and gains from investments	217,183	243,492
Other nonoperating revenue	250	350
Total nonoperating revenue	254,575	277,935
REVENUE OVER EXPENSES	\$ 432,129	\$ 329,368

See notes to financial statements



## STATEMENT OF CHANGES IN FUND BALANCES

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

	Unrestricted Funds	Restricted Funds			
		Capital Outlay Fund	Bond Fund	Scholar- ship Fund	Clinical Physi- ology Fund
Balance at June 30, 1975,					
as restated--Note B	\$10,082,989	\$ 161,171	\$245,271	\$6,068	\$
Revenues over expenses,					
as restated--Note B	329,368				
Property tax revenues		1,749,091	551,431		
Restricted gifts				1,685	
Transfers of funds to					
finance property and					
equipment acquired	940,088	(940,088)			
Transfers for payment of					
bond principal	215,000		(215,000)		
Transfers for payment of					
bond interest (\$315,346)					
and other			(317,996)		
BALANCE AT JUNE 30, 1976					
AS RESTATED--Note B	11,567,445	970,174	263,706	7,753	
Revenues over expenses	432,129				
Property tax revenues		1,902,848	516,529		
Restricted gifts					25,543
Transfers of funds to					
finance property and					
equipment acquired	2,873,022	(2,873,022)			
Transfers for payment of					
bond principal	220,000		(220,000)		
Transfers for payment of					
bond interest			(306,233)		
BALANCE AT JUNE 30, 1977	<u>\$15,092,596</u>	<u>\$ -0-</u>	<u>\$254,002</u>	<u>\$7,753</u>	<u>\$25,543</u>

See notes to financial statements

## STATEMENTS OF CHANGES IN FINANCIAL POSITION--UNRESTRICTED FUNDS

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

	June 30	
	<u>1977</u>	<u>1976</u>
	(Restated--Note B)	
FUNDS PROVIDED		
From operations:		
Operating revenue over expenses	\$ 177,554	\$ 51,433
Items not affecting working capital:		
Depreciation and amortization	854,416	772,338
Decrease in deferred liability under third-party reimbursement programs	(50,386)	(19,596)
TOTAL FROM OPERATIONS	981,584	804,175
Nonoperating revenue	254,575	277,935
TOTAL FROM OPERATIONS AND NONOPERATING REVENUE	1,236,159	1,082,110
Decrease in board-designated cash	21,382	
Transfer of restricted funds for:		
Payment of bond principal	220,000	215,000
Acquisition of property and equipment	2,873,022	940,088
Increase in long-term capitalized lease obligation	1,781,144	
	<u>6,131,707</u>	<u>2,237,198</u>
FUNDS USED		
Additions to property, plant and equipment	5,329,023	940,088
Reduction of long-term debt	852,995	220,000
Increase in board-designated cash		1,299,608
Increase in other assets	409,493	
	<u>6,591,511</u>	<u>2,459,696</u>
DECREASE IN WORKING CAPITAL	\$ <u>(459,804)</u>	\$ <u>(222,498)</u>
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	\$ (2,303,123)	\$ 765,966
Accounts receivable	1,512,309	124,262
Inventories of supplies	314,682	(2,132)
Prepaid expenses and other current assets	475,195	160,846
Marketable securities		(1,450)
Increase (decrease) in current assets	<u>(937)</u>	<u>1,047,492</u>
Increase (decrease) in current liabilities:		
Accounts payable	446,613	168,010
Accrued compensation and related liabilities	155,575	87,298
Accrued expenses	12,188	(49,155)
Amounts payable under third-party reimbursement programs	248,366	63,628
Advances from Blue Cross	18,100	6,600
Due to restricted funds	(974,673)	988,609
Current portion of long-term debt	552,703	5,000
Increase in current liabilities	<u>458,867</u>	<u>1,269,990</u>
DECREASE IN WORKING CAPITAL	\$ <u>(459,804)</u>	\$ <u>(222,498)</u>

See notes to financial statements

## NOTES TO FINANCIAL STATEMENTS

### NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

#### NOTE A--SIGNIFICANT ACCOUNTING POLICIES

Organization: The Northern San Diego County Hospital District was organized under the provisions of the Health and Safety Code of the State of California to provide and operate hospital facilities for the District. The District operates Palomar Memorial Hospital in Escondido, California and Pomerado Hospital, in Poway, California, which commenced operation on June 29, 1977.

Patient Service Revenues: Patient service revenues are reported at established rates in the period in which services are provided although collection in full may not be expected. The provision for uncollectible accounts, contractual allowances resulting from third-party reimbursement programs, and other arrangements for providing service at less than established rates are recorded as deductions from operating revenues.

Property, Plant and Equipment: Property, plant and equipment are recorded on the basis of cost. Depreciation is computed on the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives. The useful lives estimated for buildings and improvements is 15 to 40 years and for equipment is 5 to 25 years. Lease amortization is included with depreciation expense.

Pre-opening and Organization Costs: Pre-opening and organization costs relate to Pomerado Hospital and are being amortized over the five year period subsequent to the commencement of operations.

Restricted Funds: Resources restricted by donors for specific operating purposes are recorded as restricted funds.

The Board initiates tax assessments for purposes specified in the Health and Safety Code. Tax funds so collected are restricted by law for such specified purposes, which are capital outlay and bond interest and redemption.

Nonoperating Revenues: Gifts, grants and bequests not restricted by donors are reported as nonoperating revenue. Also reported as nonoperating revenues are income and realized net gains on investments of unrestricted funds.

Board-Designated Cash: Unrestricted resources may be appropriated or designated by the Board of Trustees and reported as Board-designated.

Reclassification: Certain accounts in the June 30, 1976 financial statements have been reclassified to conform with current year classifications.

Income Taxes: The District is a nonprofit public agency and is exempt from federal and state taxes based on income.



## NOTES TO FINANCIAL STATEMENTS

### NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

#### NOTE B--RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The financial statements for the year ended June 30, 1976 have been restated to reflect the following adjustments:

Transfer of assets to the bond fund from the unrestricted fund.

Classification of capital outlay assets as restricted.

Record the deferred liability under third-party reimbursement programs arising from the difference between using an accelerated depreciation method for reimbursement purposes compared with the straight-line method for financial statement purposes.

Write down receivables from Medicare and Medi-Cal patients to the estimated amount to be received, and to record the estimated settlement on third-party reimbursement contracts.

Increase the allowance for uncollectible accounts.

The restatements increased bond fund balance by \$55,984, the capital outlay fund balances by \$161,171 and decreased the unrestricted fund balance by \$657,057 at June 30, 1975, decreased revenues over expenses by \$2,154,880 for the year ended June 30, 1976 and decreased unrestricted fund balance by \$1,871,849 at June 30, 1976.

#### NOTE C--ACCOUNTS RECEIVABLE

During the year ended June 30, 1977, Palomar Memorial Hospital converted its billings and accounting for patient accounts receivable from a manual and posting machine system to a computerized system. For a number of reasons, differences have occurred between the total of the detailed computerized patients' accounts receivable listing and the general ledger balance of patient receivables. The Hospital is in the process of analyzing the differences and correcting the errors, however, as of June 30, 1977, the detail listing exceeds the general ledger control balance, which is the amount included in the financial statements, by approximately \$318,000.

#### NOTE D--THIRD-PARTY REIMBURSEMENT CONTRACTS

Under terms of the Medicare, Medi-Cal, and Blue Cross reimbursement contracts, the Hospitals receive payments at certain interim rates, subject to audit by the agencies administering the programs with respect to the proper allocation of costs under the programs. Contractual cost reimbursement amounts under these programs are limited to the retail charge rates of the Hospitals and are subject to certain additional cost limitations.

# NOTES TO FINANCIAL STATEMENTS

## NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

### NOTE D--THIRD-PARTY REIMBURSEMENT CONTRACTS (Continued)

Palomar Memorial Hospital elected to use an accelerated method for depreciation of certain of its plant and equipment acquired prior to 1971 for purposes of Medicare and Medi-Cal reimbursement computations, while continuing to use straight-line depreciation for financial statement purposes. The estimated amount of liability deferred to future periods as a result of this election has been reflected in the accompanying financial statements.

Medicare and Blue Cross cost reports have been audited and finalized through 1976 and Medi-Cal through 1975.

### NOTE E--CASH

Cash consists of the following:

	June 30	
	1977	1976
Cash on hand and in checking and savings accounts	\$1,248,899	\$1,858,404
Time certificates of deposit, maturing within one year	<u>2,185,000</u>	<u>3,900,000</u>
	<u>\$3,433,899</u>	<u>\$5,758,404</u>
Classified as:		
Current asset	\$1,900,182	\$4,203,305
Board-designated	<u>1,533,717</u>	<u>1,555,099</u>
	<u>\$3,433,899</u>	<u>\$5,758,404</u>

The amounts classified as non-current and held for special purposes include amounts due to restricted funds and amounts designated by the Board of Directors for capital outlay.

NOTES TO FINANCIAL STATEMENTS

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

NOTE F--LONG-TERM DEBT

	June 30	
	1977	1976
General Obligation Bonds:		
1957 Series payable \$70,000 annually through 1978, plus interest at 4.25% payable semiannually.	\$ 140,000	\$ 205,000
1966 Series A payable in annual amounts increasing from \$60,000 to \$155,000 through 1998, plus interest at varying rates from 4.75% to 5.1% payable semiannually.	2,085,000	2,140,000
1966 Series B payable in annual amounts increasing from \$105,000 to \$280,000 through 1998, plus interest at varying rates from 4.6% to 5.1% payable semiannually.	3,765,000	3,865,000
Capitalized equipment lease obligations due in quarterly installments of \$104,072 through 1979 and in lesser amounts to 1982, including interest at 5.25% to 6.5%, having equipment with an aggregate cost of \$1,789,000 as collateral.	1,700,852	
Capitalized facilities sublease of Pomerado Hospital payable \$656,640 semiannually through 2001, including interest based on an imputed rate of 7.78% (See Note G).	14,250,000	14,250,000
	21,940,852	20,460,000
Less current portion	772,703	220,000
	<u>\$21,168,149</u>	<u>\$20,240,000</u>

Capitalized equipment lease obligations contain purchase options at the end of the lease term at generally favorable rates. Plant and equipment includes the following amounts for leases that have been capitalized:

	1977	1976
Buildings (Construction in progress in 1976)	\$14,250,000	\$14,250,000
Equipment	1,789,080	-0-
	16,039,080	14,250,000
Less allowances for depreciation	14,999	
	<u>\$16,024,081</u>	<u>\$14,250,000</u>



## NOTES TO FINANCIAL STATEMENTS

### NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

#### NOTE F--LONG-TERM DEBT (Continued)

Future minimum payments by year and in the aggregate under the capital leases consist of the following at June 30, 1977:

1978	\$ 1,729,568
1979	1,729,568
1980	1,724,462
1981	1,685,446
1982	1,629,993
Thereafter	<u>24,952,320</u>
Total minimum lease payments	33,451,357
Less amounts representing interest	<u>17,500,505</u>
Present value of net minimum lease payments	<u>\$15,950,852</u>

#### NOTE G--POMERADO HOSPITAL AUTHORITY AND HOSPITAL FACILITIES SUBLEASE

The Pomerado Hospital Authority was created by a Joint Exercise of Powers Agreement dated June 25, 1974 between San Diego County and Northern San Diego County Hospital District for the construction and financing of Pomerado Hospital, located in Poway, California. The Agreement will terminate in 50 years or when the Authority's revenue bonds have been paid in full or adequate provision has been made for their payment.

On January 13, 1975, the Authority issued 7.999% revenue bonds in the face amount of \$14,250,000 maturing serially over a 25-year period commencing June 1, 1978. On the same date, the District, acting as agent for the Authority, issued a contract for construction of Pomerado Hospital. Prior to this time, the District had expended \$2,692,767 for acquisition of land, costs of engineering, fees and construction costs, and subsequently contributed to the Authority time certificates of deposit in the amount of \$1,000,000.

The District executed a ground lease to the Authority for \$1 whereby the District leased to the Authority the site for construction of Pomerado Hospital. The term of the ground lease extends to February 1, 2014 or until the termination of the Joint Powers Agreement, whichever is earlier. The Authority and the District executed a hospital facilities sublease whereby the Authority leases the hospital facility and improvements to the District. The term of the sublease also extends to February 1, 2014 or until the Joint Powers Agreement terminates.

Under the terms of the sublease, the District is required to make adequate provision for the maintenance and operation of the facility. All real and personal property of the Authority will become the property of the District upon the termination of the sublease agreement. The District's future lease commitment has been capitalized at the present value of the lease commitment, \$14,250,000, based on an imputed interest rate of 7.78%.

NOTES TO FINANCIAL STATEMENTS

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

NOTE H--PENSION PLAN

All qualifying full-time employees of the District are covered by a fully funded pension plan. Total pension plan expense was \$158,300 in 1977 and \$117,700 in 1976. Fund assets at the latest valuation date, January 1, 1977, exceed the actuarially computed value of vested benefits. It is the District's policy to fund the pension costs accrued.

NOTE I--MEDI-CAL REIMBURSEMENT LIMITATIONS'

In 1975, the State of California adopted regulations which would limit reimbursement of Medi-Cal inpatient costs incurred after June 30, 1975 to a specified annual percentage increase. Net income at June 30, 1977 and June 30, 1976 includes \$71,000 and \$55,000, respectively, of actual incurred costs over the limitation imposed by the State.

In November 1976, a U. S. District Court held that the State had no authority to impose percentage limitations on inpatient reimbursable costs. The State has appealed the decision and until the appeal is ruled upon by the courts, it is not possible to determine if the District will be reimbursed the additional \$126,000.

# Ernst & Ernst

1010 Second Avenue • Suite 1515 • San Diego, California 92101 • 714/232-6335

Northern San Diego County Hospital District  
Escondido, California

The audited financial statements of the Northern San Diego County Hospital District and our report thereon for the year ended June 30, 1977 are presented in the preceding section of this report. The schedules presented hereinafter show the details of financial statements, and in our opinion they are fairly presented in all material respects in relation to the financial statements taken as a whole; however, they are not necessary for a fair presentation of the financial position, the results of operations, changes in fund balances and changes in financial position of the District.

*Ernst & Ernst*

San Diego, California  
October 19, 1977





DETAILS OF BALANCE SHEET--ASSETS

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

June 30, 1977

	<u>Combined</u>	<u>Eliminations</u>
CURRENT ASSETS		
Cash	\$ 1,900,182	\$
Accounts receivable	4,557,245	
Less allowances for uncollectible accounts	<u>(893,000)</u>	
	3,664,245	
Due from affiliates		1,829,890
Inventories of supplies	748,631	
Prepaid expenses	138,713	
Other current assets	<u>604,345</u>	
<div style="text-align: right;">TOTAL CURRENT ASSETS</div>	<u>7,056,116</u>	<u>1,829,890</u>
BOARD-DESIGNATED ASSET--Cash	1,533,717	
PROPERTY, PLANT AND EQUIPMENT		
Land	392,612	
Land improvements	12,731	
Buildings	29,139,893	
Equipment	<u>6,321,071</u>	
	35,866,307	
Less allowances for depreciation and amortization	<u>5,260,030</u>	
	<u>30,606,277</u>	
OTHER ASSETS		
Unamortized pre-opening and organi- zation costs	<u>409,493</u>	<u>                    </u>
	<u>\$39,605,603</u>	<u>\$1,829,890</u>

<u>Palomar Memorial Hospital</u>	<u>Pomerado Hospital</u>	<u>District</u>
\$ 968,780	\$ 91,587	\$ 839,815
4,555,123	2,122	
(893,000)		
<u>3,662,123</u>	<u>2,122</u>	
1,615,843		214,047
520,235	228,396	
57,023	78,948	2,742
148,500	<u>2,000</u>	<u>453,845</u>
<u>6,972,504</u>	<u>403,053</u>	<u>1,510,449</u>
33,557		1,500,160
176,445	216,167	
12,731		
11,413,293	17,726,600	
<u>3,914,861</u>	<u>2,238,037</u>	<u>168,173</u>
15,517,330	20,180,804	168,173
5,245,031		<u>14,999</u>
<u>10,272,299</u>	<u>20,180,804</u>	<u>153,174</u>
	409,493	
<u>\$17,278,360</u>	<u>\$20,993,350</u>	<u>\$3,163,783</u>

DETAILS OF BALANCE SHEET--LIABILITIES AND UNRESTRICTED FUND BALANCES

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

June 30, 1977

	<u>Combined</u>	<u>Eliminations</u>
CURRENT LIABILITIES		
Accounts payable	\$ 981,159	\$
Accrued compensation and related liabilities	575,134	
Accrued expenses	72,946	
Amounts payable under third-party reimbursement programs	402,730	
Advances from Blue Cross	91,800	
Due to restricted funds	259,202	
Current portion of long-term debt	772,703	
Due to affiliates		1,829,890
TOTAL CURRENT LIABILITIES	<u>3,155,674</u>	<u>1,829,890</u>
LONG-TERM DEBT, less current portion	21,168,149	
DEFERRED LIABILITY UNDER THIRD-PARTY REIMBURSEMENT PROGRAMS	189,184	
FUND BALANCES		
Retained for general purposes	13,558,879	
Board-designated for capital improvements	1,500,160	
Board-designated--other	33,557	
	<u>15,092,596</u>	
	<u>\$39,605,603</u>	<u>\$1,829,890</u>



<u>Palomar Memorial Hospital</u>	<u>Pomerado Hospital</u>	<u>District</u>
\$ 535,983	\$ 231,128	\$ 214,048
492,094	73,300	9,740
68,385	3,905	656
402,730		
91,800		
339,161	395,789	259,202
9,052	780,639	37,753
<u>1,939,205</u>	<u>1,484,761</u>	<u>1,040,199</u>
		<u>1,561,598</u>
6,230,799	14,835,325	102,025
189,184		
8,885,615	4,673,264	
		1,500,160
33,557		
<u>8,919,172</u>	<u>4,673,264</u>	<u>1,500,160</u>
<u>\$17,278,360</u>	<u>\$20,993,350</u>	<u>\$3,163,783</u>

DETAILS OF STATEMENT OF REVENUE AND EXPENSES--UNRESTRICTED FUNDS

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

Year Ended June 30, 1977

	<u>Total</u>
Patient service revenue:	
Routine services	\$ 8,587,635
Ancillary services	<u>9,413,093</u>
Gross patient service revenue	18,000,728
Deductions from revenue:	
Contractual allowances	(1,157,644)
Provision for uncollectible accounts	(482,581)
Other deductions from revenue	<u>(71,945)</u>
	<u>(1,712,170)</u>
Net patient service revenue	16,288,558
Other operating revenue	178,644
Transfers from restricted funds for operations	<u>306,233</u>
Total operating revenue	16,773,435
Operating expenses:	
Routine services	4,218,120
Ancillary service	6,397,495
General services	2,539,531
Fiscal services	892,712
Administrative services	1,374,548
Depreciation	854,416
Interest	<u>319,059</u>
Total operating expenses	16,595,881
OPERATING REVENUE OVER (UNDER) EXPENSES	177,554
Nonoperating revenue:	
Unrestricted gifts	37,142
Income and gains from investments	217,183
Other nonoperating revenue	250
Transfers for nonoperating purposes	<u>254,575</u>
REVENUE OVER (UNDER) EXPENSES	<u>\$ 432,129</u>

<u>Palomar Memorial Hospital</u>	<u>Pomerado Hospital</u>	<u>District</u>
\$ 8,586,767	\$ 868	\$
<u>9,411,748</u>	<u>1,345</u>	
17,998,515	2,213	
(1,157,644)		
(482,581)		
<u>(71,945)</u>		
(1,712,170)		
177,269	875	500
<u>306,233</u>		
16,769,847	<u>3,088</u>	<u>500</u>
4,218,120		
6,396,428	1,067	
2,539,531		
850,139		42,573
1,178,416	10,089	186,043
839,417		14,999
309,104	<u>4,890</u>	<u>5,065</u>
16,331,155	16,046	248,680
438,692	(12,958)	(248,180)
29,476	7,666	
250		217,183
<u>132,068</u>	<u>3,008,940</u>	<u>(3,141,008)</u>
<u>161,794</u>	<u>3,016,606</u>	<u>(2,923,825)</u>
\$ <u>600,486</u>	\$ <u>3,003,648</u>	\$ <u>(3,172,005)</u>



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## **APPENDIX B**

**Northern San Diego County Hospital District**

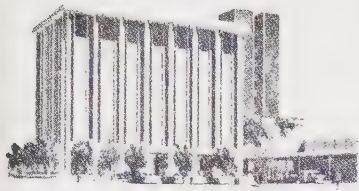
**Unaudited Condensed Financial  
Information as of October 31, 1977  
and for the Four Months then Ended.**

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# NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

THOMAS H. LIVINGSTONE, Executive Director



Palomar Memorial Hospital

550 EAST GRAND AVENUE, ESCONDIDO, CALIFORNIA 92025 (714) 745-2300

Pomerado Hospital

December 20, 1977

## BOARD OF DIRECTORS

EDWARD H. LYON  
President Escondido  
CLYDE G. BASSETT, M.D.  
Secretary Escondido  
BILL ROSS  
Treasurer Escondido  
WILLIAM E. HUTCHINGS  
Director Pala  
DAVID LITTAUER, M.D.  
Director Rancho Bernardo  
IDA J. STADLER  
Director Poway  
DORIS R. THURSTON, R.N.  
Director Escondido

The following financial information is taken from the books and records of the Northern San Diego County Hospital District as of October 31, 1977, and for the four months period then ended. The condensed financial statements were prepared by employees of the District without audit by independent certified public accountants.

NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

CONDENSED BALANCE SHEET (Unaudited)  
NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT

October 31, 1977

UNRESTRICTED FUNDS

ASSETS

CURRENT ASSETS

Cash	\$ 779,196
Accounts receivable	5,261,765
Inventories of supplies and other current assets	<u>1,097,864</u>

TOTAL CURRENT ASSETS 7,138,825

BOARD - DESIGNATED CASH 652,381

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	\$ 36,258,019	
Less accumulated depreciation	<u>5,877,013</u>	30,381,006

OTHER ASSETS 393,843  
\$38,566,055

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 2,137,559
Amounts payable under third-party reimbursement programs	557,730
Due to restricted funds	71,829
Current portion of long-term debt	<u>843,121</u>

TOTAL CURRENT LIABILITIES \$ 3,610,239

LONG-TERM DEBT AND OTHER NONCURRENT LIABILITIES 20,516,148

FUND BALANCES 14,439,668  
\$38,566,055

RESTRICTED FUNDS

ASSETS

Cash	\$ 1,456
Notes receivable	29,081
Due from unrestricted funds	<u>71,829</u>
	<u>\$ 102,366</u>

FUND BALANCES \$ 102,366

CONDENSED STATEMENT OF REVENUE AND EXPENSES - UNRESTRICTED FUNDS (Unaudited)  
 NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT  
 Four Months Ended October 31, 1977

Patient service revenues		\$ 7,883,116
Deductions from revenue		<u>623,650</u>
	Net patient service revenue	\$ 7,259,466
Other operating revenue		<u>235,895</u>
	Total operating revenue	\$ 7,495,361
Operating expenses:		
Direct cost of providing patient care	\$ 4,778,476	
General and administrative services	2,428,624	
Depreciation	622,513	
Interest	<u>511,003</u>	
	Total operating expenses	<u>8,340,616</u>
	OPERATING EXPENSES OVER REVENUE	\$ (845,225)
Nonoperating revenue		<u>19,785</u>
	EXPENSES OVER REVENUE	<u><u>\$ (825,470)</u></u>



CONDENSED STATEMENT OF CHANGES IN FINANCIAL POSITION -  
UNRESTRICTED FUNDS (Unaudited)  
NORTHERN SAN DIEGO COUNTY HOSPITAL DISTRICT  
Four Month Period Ended October 31, 1977

FUNDS PROVIDED

From operations	\$ (187,307)
Decrease in board designated cash	881,336
Transfers of restricted funds	<u>172,542</u>
	<u>866,571</u>

FUNDS USED

Additions to property, plant and equipment	397,242
Reduction of long-term debt	<u>841,185</u>
	<u>1,238,427</u>
DECREASE IN WORKING CAPITAL	<u><u>\$ (371,856)</u></u>

Management's Discussion of Operations  
For the Four Months Ended October 31, 1977:

The deficit of \$825,470 consists of \$511,003 accrued interest expense for outstanding bond issues and \$314,467 in operating expenses.

The bond interest expense will be recovered through tax revenues received in January 1978. The operating deficit is caused by the start-up of Pomerado Hospital during a seasonally low census period.

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